WEST LOTHIAN COLLEGE

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JULY 2019

Scottish Charity No. SC021216

The financial statements were approved and authorised for issue on 10 December 2019

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PERFORMANCE REPORT FOR THE YEAR ENDED 31 July 2019

Purpose

The Performance analysis provides a detailed performance summary and analysis of how West Lothian College measures its performance.

Principal and Chief Executive's Statement

I joined West Lothian College as Principal in August 2018. The former Principal had been in post for over ten years and my arrival was a big change for the college. I am very grateful for how positively staff, students and stakeholders have embraced this change.

My early impression was that staff love working at the college and believe they make a difference. It was also clear that they were open to change that led to improvement in the college experience for students and staff. My first priority therefore was to engage widely with staff, students, employers and other stakeholders to understand what was working well in the college and what could be better.

The main areas of challenge identified were the mental health and wellbeing of students, the need to modernise curriculum content and resources, the necessity of reconfiguring the college estate to make it fit for purpose, and an urgent requirement to upgrade IT and WiFi. These areas were reflected in the college's enhancement plan for 2018-21 and very good progress was made in 2018-19, despite a challenging financial climate.

Responding to Employers and Stakeholders

To ensure that our curriculum is relevant to all the stakeholders we serve, there was considerable effort in 2018-19 to engage further with employers, industry bodies, West Lothian Council, schools, and third sector organisations. This was very productive.

The college has a well-established partnership with West Lothian Council's Education Services team, and our schools and ambitious Foundation Apprenticeship programmes are agreed in partnership with the council. In recent months, senior college and council managers have been working towards an even more proactive approach to shared curriculum planning for the senior phase.

An extensive programme of engagement with employers in the past year, and a renewed commitment and vigour from all curriculum areas to this, enhanced the learning experience of our students, and improved the content, delivery and relevance of our provision. Industry forums were established in the curriculum areas of early years and business, and employers have enthusiastically and generously engaged in these forums to influence the content and delivery of our courses. This model will be replicated in all curriculum areas.

Over the year the college developed very productive partnerships with employers across the region and in all sectors. Through early engagement with the Winchburgh Developments project there were a range of concrete outcomes in 2018-19 working with companies like I & H Brown who are providing high quality work placements for our students.

The college adopted a range of innovative approaches to teaching and learning, responding to industry demand, regional need and government priorities. We were one of two colleges in Scotland to receive funding from the Scottish Funding Council's Men in Early Years Challenge Fund, through which we created a forest classroom on campus to embed outdoor learning in our childhood practice curriculum and support our drive to encourage boys and men into careers in early years.

In partnership with Morrison Construction we introduced a new pre-apprenticeship Carpentry and Joinery course which is being sponsored by the company who are providing resources and a wide range of industry opportunities for students within their supply chain. We introduced cyber security into our computing curriculum, initially as a part time course in 2018-19. Acting on growing demand in this critical area, we invested in a leading edge cyber security lab to pave the way for the introduction of full time courses in August 2019.

Student Voice

It was a joy to work closely with our Student President and Vice President throughout the year, and they had a major influence on management decisions related to the student experience. We have an excellent Student Association with a very clear set of priorities:

- Support students' wellbeing and remove barriers to learning
- Engage proactively and extensively across the college using their self-evaluation tool, SPARKLE, to improve our students' learning experiences and outcomes, and
- Promote equality, diversity and inclusion.

The significant progress they made on these priorities was recognised in March 2019 when NUS Scotland named them College Student Association of the Year. Their excellent partnership working with staff led to the college achieving the LGBT Charter Award (Silver status) in June 2019.

Becoming an ACEs-aware and Trauma Informed College

Feedback from our staff and Student Association showed that an increasing number of students faced challenges that were acting as a barrier to learning. While these challenges varied, it was clear that many related to experiences of trauma in their lives and this was having a negative impact on their ability to stay on their college courses.

I included a pledge in our 2019-22 Outcome Agreement that we would be an ACEs-aware (adverse childhood experiences) trauma informed college, and that we would put in place support for students and staff impacted by adverse experiences. We joined the West Lothian ACEs Hub, which is now hosted by the college, and offered staff development on awareness of ACEs. We had the advantage of drawing on the experience of our team who designed and deliver ACEs awareness training to all children's panel members across Scotland.

I am very proud that teaching and support staff, managers and Student Association officers have passionately embraced this pledge, and we saw some wonderful outcomes from this approach in 2018-19.

My first year as Principal of West Lothian College has been immensely rewarding. I am looking forward to our students, staff, partners and stakeholders reaping the benefits of our ongoing improvement agenda in the years ahead.

Vision and Purpose

West Lothian College is a free standing corporate body under the provisions of the Further and Higher Education (Scotland) Act 1992 as amended by the Further & Higher Education (Scotland) Act 2005 and subsequently the Post-16 Education (Scotland) Act 2013.

The college is governed by a Board of Governors and receives the majority of its funding directly from the Scottish Funding Council (SFC). The college is listed on 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 (SC021216).

Vision

West Lothian College's vision is to **develop a highly skilled and enterprising workforce**. The values that underpin that vision and everything the college does were refreshed during 2018-19. The values are:

- Welcoming to all
- Students are at the centre of everything we do
- Always striving for better.

Our Investors in People assessment in May 2019 demonstrated that these values are well embedded across the college.

Purpose

The college has one campus in Livingston and serves the people, communities and economy of West Lothian (and beyond). In the ten years to 2018, the population of West Lothian increased by 18.9% (the second highest percentage increase of all council areas in Scotland) and its current population of approximately 182,000 is projected to increase to 191,979 by 2035 (at more than double the rate for Scotland).

The college provides a wide range of further and higher education courses to meet government priorities on Developing the Young Workforce, the 15-24 Learner Journey, the STEM Education and Training Strategy, and widening access to higher education.

West Lothian College plays a critical role in achieving community planning partnership priorities, for example to address the skills needs of employers and enable people to be better educated with access to quality learning and job opportunities.

Key Issues and Risks

The college's risk management framework includes:

- A risk management policy
- A risk tolerance matrix based on an exercise carried out by the Board and overseen by the college's internal auditors
- A Strategic Risk Register with a member of the senior team assigned as risk owner to each of the strategic risks and
- Operational risk registers for each area of the business and managed by the relevant member of the college management team.

The Audit Committee undertook a review of the strategic risks during 2018-19 and agreed eight key risks for the college. The risks which carried the highest risk rating were:

- Unable to invest fully in the estate due to reduced SFC capital funding and investment funds;
- External funding pressures adversely impacting on future college sustainability and the delivery of the curriculum; and
- Failing to provide a safe and fit for purpose IT infrastructure.

Actions taken to mitigate against these risks included a programme of investment in the campus from a successful commercial performance, setting a balanced budget for the year with an investment fund which was monitored on a monthly basis and improving the security of the network through funding obtained from the Scottish Funding Council.

Going Concern

The Board of Governors has considered the college's forecasts and financial projections and considers that the college has adequate resources to meet its ongoing liabilities and continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Although the college has net liabilities, this is due to the change of treatment of deferred Government Grant (capital) which is now recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Performance Summary

In 2018-19 the college delivered it highest ever number of credits - 45,440 against a target of 44,982 - and continued to exceed its credit target which comprised 43,646 core credits, 786 ESF credits and an additional 550 non-consolidated credits reallocated by SFC during the year. Demonstrating an increasing demand for courses, the college achieved its highest ever number of student enrolments which, at 8,988, was up over 800 on the previous year. An increasing proportion of full time students (90%) lived in West Lothian, and half of the college's part time students lived outside West Lothian.

While there was steady demand for full time courses, there was a decline in enrolments for full time FE qualifications. Demand for full time HE courses remained stable and the college experienced significantly rising demand for part time courses, particularly for work-based qualifications.

The college was the top destination for school leavers in West Lothian. Three quarters of school leavers who moved onto college chose West Lothian College. However, school leavers represented a quarter of full time students in 2018-19. The majority of full time students were not school leavers, indeed a third were over the age of 25. Taking part time students into account, 60% of all students were aged 25 or over.

The college increased its work-based provision over the year and delivered over 900 SVQs to employees in 170 companies. Continued growth in apprenticeship delivery resulted in nearly 300 modern apprentices in training, including 145 new starts. The college fulfilled its Flexible Workforce Development Fund commitment with 1,205 employees in 26 companies taking part in 127 courses. Continuing its commitment to the Developing the Young Workforce agenda, the college delivered training for 171 foundation apprentices from schools across West Lothian, including 95 new starts.

In 2018-19 the college secured a further three-year commercial contract with Children's Hearings Scotland to train 2,215 panel members throughout Scotland.

The college continued to offer international learning opportunities to student and 123 students and 34 staff took part in eighteen Erasmus visits to ten countries over the year.

The statement of comprehensive income shows a deficit for the year of £4,387,000. However, after adjusting for non-cash items such as depreciation and pension adjustments, the college achieved an adjusted operating surplus of £140,000.

Performance Analysis

Key Performance Indicators

The college's management and control ensure financial stability is sound, and there are clear management structures and reporting arrangements in place with performance indicators and risk management processes to support delivery of outcomes.

To monitor progress against its Outcome Agreement, the college focuses on a range of key performance indicators which are reviewed by managers and the Board of Governors on a regular basis. Financial sustainability, achieving the credit target, and retention and attainment were identified as key strategic risks in the college's 2018-19 strategic risk register.

Tables 1, 2 and 3 summarise performance in academic years 2016-17, 2017-18 and 2018-19.

Table 1 Credit Activity

	2016-17	**2017-18**	**2018-19**
Credits delivered	44,085	45,326	45,440

In 2018-19 the college improved student outcomes for full and part time qualifications at both FE and HE level.

Table 2 Student Success

	2016-17	**2017-18**	**2018-19**
FE Full Time			
Withdrawals	26.4%	24.7%	24.4%
Partial success	11.7%	9.8%	7.9%
Completed success	61.9%	65.5%	**67.8%**
HE Full Time			
Withdrawals	16.2%	17.3%	17.7%
Partial success	11.3%	12.9%	11.7%
Completed success	72.5%	69.8%	**70.5%**
FE Part Time			
Withdrawals	8.9%	7.8%	6.5%
Partial success	13.4%	13.5%	8.6%
Completed success	77.7%	78.7%	**85.0%**
HE Part Time			
Withdrawals	9.3%	10.6%	9.2%
Partial success	16.1%	10.9%	6.0%
Completed success	74.6%	78.5%	**84.6%**

Table 3 details actual financial performance in Financial Periods 2016-17, 2017-18 and 2018-19.

Table 3 Financial Performance

	2016-17	2017-18	2018-19
Deficit for the year as a percentage of total income	(1.7%)*	(5.3%)	(7.1%)
Deficit for the year as a percentage of total expenditure	(1.6%)*	(5.3%)	(6.6%)
Staff costs as a percentage of total income (excludes exceptional costs)	65%*	67%	71%
Ratio of Current Assets to Current Liabilities	(0.7)	(0.7)	(0.7)
Days Cash to Total Expenditure	35*	15	14
Debtor Days	30	30	30

*****Excludes £1.9m deferred capital grant release as a result of an impairment loss following interim revaluation of assets

Annual Performance Review

Following significant engagement with staff in the early part of 2018-19, and in response to feedback from the first Student Association evaluation through SPARKLE, the following areas were identified as priorities for the year:

- Mental health and wellbeing of students
- Modernise courses, resources and workshop facilities
- Reconfigure campus buildings
- Invest more in IT and WiFi.

Examples of some of the action taken during the year are listed below.

Mental health and wellbeing

- Introduced free soup and a roll for all students to ensure learning was not impacted by hunger
- Delivered Mental Health First Aid training to staff and Student Association representatives
- Focused the February staff development week on adverse childhood experiences, care experience, and mental health and wellbeing
- Launched the *Healthy Environment, Active Life* action plan to create a supportive working and learning environment in which people thrive mentally, physically and emotionally.

Modernise courses, resources and workshop facilities

- Invested £50,000 in a state of the art Cyber Lab to support the introduction of three cohorts of HNC Cyber Security
- Invested £60,000 in industry standard gym equipment
- Bought a hybrid vehicle and safety testing system to support the modernisation of our automotive engineering courses
- Purchased new and replacement equipment for the training kitchen
- Upgraded all computers in computing and engineering classrooms, and installed new Macs in the creative classrooms
- Created a forest classroom in the woodland on campus to support the integration of outdoor learning into our childhood practice curriculum.

Reviewing the college's curriculum is a strategic goal set out in its 2019-22 Outcome Agreement and a priority theme for improvement in the 2018-21 Enhancement Plan. The aim is to have a modern curriculum that is responsive to the skills needs of the regional economy and helps to achieve the college's vision of developing a highly skilled and enterprising workforce. This review started in 2018-19 and comprises a number of parallel themes:

- Engaging with stakeholders to ensure that our curriculum offer is relevant to their current and future needs
- Modernising our course portfolio to take account of developments in different sectors
- Enhancing our underpinning curriculum model
- Increasing progression opportunities to apprenticeships, university and employment
- Improving the quality of learning and teaching.

The college had not been able to invest in a reconfiguration of the estate or IT infrastructure for several years due to funding constraints. However, in response to feedback from staff and students in 2018, a reconfiguration of some areas took place to address urgent accommodation needs. The college also updated specialist curriculum equipment and modernised some of the digital infrastructure. In addition and, supported in part with strategic funding from SFC, the college improved the security of the network and invested in its IT infrastructure. Support was also received from SFC to correct a defect in the sports hall. While considerable progress was made, significant investment is required to modernise campus facilities, curriculum resources and the IT infrastructure.

- Reconfigure campus buildings

  - Completely reconfigured the top floor of the main campus building to locate all student services in a one-stop area and provide more confidential space for individual support for students
  - Relocated the Student Association to a more accessible location
  - Created three new classrooms, implemented a technology-based collaboration classroom, and simulated hospital ward
  - Located all support staff teams (except HR) in an open space area to encourage collaborative working.

- Invest more in IT and WiFi

  - Recruited an additional technician and acted on recommendations in an external report commissioned following the malware attack in 2017-18
  - Secured strategic funding from the Scottish Funding Council to improve the robustness and security of the college network, including WiFi, and worked with IT specialists at Napier University to implement this
  - Invested in new kit including hundreds of desktop computers, laptops, and new interactive smart boards
  - Introduced email accounts and mobile access to attendance reports and progress on units for students
  - Introduced online enrolment and improved the process for producing matriculation cards.

Progress was made on implementing the aims of the People Strategy, which was approved by the Board of Governors in June 2018. In June 2019 the college was awarded Investors in People Silver status, an improvement on its previous Bronze accreditation, and is making good progress against all indicators to achieve its aim for the next assessment to achieve at least Gold status.
A staff survey in March 2019 confirmed how much staff enjoyed working at the college and the reasons for this. It also demonstrated that there was still work to do to ensure a positive

experience of working at the college and all managers are progressing actions to address these. One outcome was the establishment of a Staff Experience Group to improve the staff experience of working at the college. Progress made in 2018-19 was reflected in the college achieving the Healthy Working Lives Award.

Financial Review

Nature, Objectives and Strategies

The Board presents its report and the audited financial statements for the year ended 31 July 2019. The Board of Governors has approved these accounts on the basis the college is a going concern. The audited financial statements have been prepared under the historic cost convention in line with the principles and guidance set out in the Statement of Recommended Practice, Accounting for Further and Higher Education and with the Government Financial Reporting Manual (FReM).

Scope of the Financial Statements

The Financial Statements cover all activities of the college.

Financial Position

Financial Results for the year ended 31 July 2019

The college generated a deficit before other gains and losses in the year of £1,351,000 (2018 - deficit of £939,000), with total comprehensive income deficit of £4,387,000 (2018 – surplus of £1,712,000). The total comprehensive income in 2019 recorded an actuarial loss in respect of pension funds of £3,036,000 (2018 – gain of £2,651,000). After transfer of £298,000 from the revaluation reserve, the cumulative deficit on the Income and Expenditure account increased by £4,089,000 from £9,262,000 deficit to £13,351,000 deficit.

The cumulative deficit at the year-end comprised £174,000 for holiday pay accrual, £2,369,000 for voluntary agreed PFI termination loan, £3,756,000 for early retirement provisions, £6,904,000 for defined benefit pension obligations and £148,000 for trading activities (see Note 16).

The college is reporting net total liabilities of £7,508,000 in its balance sheet which is due to the reclassification of deferred Government Grant as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Cash Budget for Priorities

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

Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities as outlined in the table below. Spend of the college’s cash budget for priorities, and impact on the operating position for the academic year, is detailed below.

Table of cash budget for priorities spend

	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Revenue		
-	-	-
Total impact on operating position	**-**	**-**
Capital		
Loan repayments	158	158
Early retirement provision payments	32	32
Total Capital	**190**	**190**
Total cash budget for priorities spend	190	190

SFC has confirmed that a deficit resulting from the college following its guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the college's ongoing financial sustainability. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for non-cash depreciation does not indicate an underlying financial sustainability concern.

Adjusted Operating Position

The Statement of Comprehensive Income (SOCI) presents the financial performance during the accounting period in accordance with the FE/HE SORP. The adjusted operating position is intended to reflect the financial performance of the college after allowing for non-cash adjustments and other material one-off or distorting items required by the SORP. The adjusted operating position is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the college. This should give a better indication of the college's cash generative capacity.

	Note	2018-19 £'000	2017-18 £'000
Deficit before other gains and losses (FE/HE SORP basis)		(1,351)	(939)
Add:			
- Depreciation (net of deferred capital grant)	1	330	343
- Pension adjustment – Net service cost (FRS 102)	2	1,157	719
- Pension adjustment – Net interest cost	3	194	233
Deduct:			
- CBP allocated to loan repayments	4	158	158
- CBP allocated to Early Retirement Payments	5	32	32
Adjusted operating surplus		140	166

The adjusted operating surplus above does not take account of a further £166,000 of payments the college has made towards its Early Retirement Provision during the year (£167,000 in 2017-18). Taking this into account the adjusted operating result would be a deficit of £26,000 (£1,000 in 2017-18).

Note 1 Depreciation net of deferred capital grant is added back in recognition that this has a non-cash budget from the Scottish Government.

Note 2 The non-cash element of current and past service pension cost less cash contributions paid.

Note 3 The non-cash element of interest earned on pension assets less interest cost on pension liabilities.

Note 4 Cash Budget for Priorities is included in income but the loan repayment is not reflected in costs therefore this amount is adjusted.

Note 5 Cash payments in respect of the Early Retirement Provision included in CBP.

Taxation Status

The college is registered with the Office of the Scottish Charities Regulator as a Scottish Charity and is exempt from corporation tax and capital gains tax. The college receives no similar exemption in respect of Value Added Tax.

Cash Flows

Cash flow projections are prepared annually, broken down on a monthly basis to ensure that these are sufficient to meet the needs of the college. These are reviewed monthly and reports are provided to the Senior Team and the Finance and General Purposes Committee. Bank balances are checked on a daily basis and day-to day surplus funds are deposited overnight in a high interest bank account.

Liquidity

The college uses a number of ratios to assess the college’s liquidity. The two key ratios are current assets: current liabilities and days cash to total expenditure. However as a result of ONS reclassification the college is only able to hold minimum cash reserves. At the end of 2018-19 current assets: current liabilities were (0.7) and days cash to total expenditure was 14 days reflecting the ONS requirement.

Creditor Payment Policy

The college complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible. The college did not pay any late interest payments during the year.

The Scottish Public Finance Manual sets a Government target for the payment of invoices within ten working days of their receipt. While this is a difficult target for the college to achieve, it nevertheless strives to pay all invoices as promptly as possible.

Post-Balance Sheet Events

There are no post-balance sheet events.

Human rights, anti-corruption and anti-bribery matters

West Lothian College is committed to upholding human rights, anti-corruption and anti-bribery within the college and through the supply chain.

Environmental matters

West Lothian College recognises that it has a role to play in the conservation and protection of the environment. The college works towards improving its own environmental and sustainable practices and promoting an awareness of environmental responsibilities amongst our staff and students.

Through our Environmental and Sustainability Policy we:

- comply with and exceed when possible all applicable legislation, regulations and codes of practice
- ensure that all environmental risks are assessed, managed and controlled
- integrate sustainability considerations into all our business decisions
- minimise the impact on the environment and our sustainability of our core activities, and
- review and continually strive to improve our sustainability and lessen our impact on the environment.

The Carbon Management Plan 2016-20 set out a target of reducing the college's carbon emissions baseline by 10% (144 tonnes co2) by 2020. The college achieved this target ahead of schedule. During 2018-19 the college established a sustainability group with a focus in 2019-20 to produce a new five-year sustainability plan.

Climate Change (Scotland) Act compliance

The college complied with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.
The Performance Report is approved by the Principal on 10 December 2019

Jackie Galbraith
Principal and Chief Executive

REMUNERATION AND STAFF REPORT

Remuneration Policy

The Remuneration Committee makes recommendations to the Board of Governors on the service arrangements and remuneration of the Principal and determines the service arrangements and remuneration of the other senior post holders.

Remuneration including salary and pension entitlements

Salary Entitlements[1]

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

	12 months ended 31 July 2019			**12 months ended 31 July 2018**		
Name	Actual Salary **£'000**	Pension Benefit **£'000**	Total **£'000**	Actual Salary **£'000**	Pension Benefit **£'000**	Total **£'000**
Alex Linkston	20 - 25	0	20 - 25	20 - 25	0	20 - 25
Jackie Galbraith*	100 - 105	5 - 10	105 - 110	N/A	N/A	N/A
Mhairi Harrington**	0 - 5	0	0 - 5	110 - 115	0	110 - 115
Simon Earp	65 - 70	5 - 10	70 - 75	65 - 70	5 -10	70 - 75
George Hotchkiss***	65 - 70	5 - 10	70 - 75	65 - 70	5 -10	70 - 75
Jennifer McLaren	65 - 70	5 - 10	70 - 75	65 - 70	5 -10	70 - 75

*Jackie Galbraith joined the college on 6 August 2018
**Mhairi Harrington left the pension scheme at the end of 2016-17 and left the college on 3 August 2018 when her salary would have been in band 110k to 115k
***George Hotchkiss left the college on 15 July 2019

Median Remuneration

Colleges are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.

Based on the twelve month equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2018-19 was £107,500 (£112,500 in 2017-18). This was 3.5 times (3.7 times in 2017-18) the median remuneration of the workforce which was £30,708 (2017-18 £29,792).

[1] Note:

a) The salaries in the above table represent the amount earned in the financial year
b) The value of pension benefits is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The x20 multiplier aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period which is the estimated life span following retirement.
c) The details in this table are subject to audit

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 the Local Government Pension Scheme (LGPS). Both STSS and LGPS are career average salary pension schemes.

The scheme's normal retirement age is the scheme member's state pension age.

Contribution rates are set annually for all employees. 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 Officials' Pension

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

Name	Accrued pension at pension age at 31/07/19 **£'000**	Accrued lump sum at pension age at 31/07/19 **£'000**	Real increase in pension 01/08/18 to 31/07/19 **£'000**	Real increase in lump sum 01/08/18 to 31/07/19 **£'000**
Jackie Galbraith - Principal*	10	0	10	0
Mhairi Harrington - Principal*	42	128	0	0
Simon Earp - Vice Principal	2	0	2	0
George Hotchkiss - Vice Principal**	21	63	19	2
Jennifer McLaren - Vice Principal	12	0	2	0

*Mhairi Harrington left the college on 3 August 2018 and Jackie Galbraith joined the college on 6 August 2018. Mhairi Harrington left the pension scheme at the end of 2016-17.
**George Hotchkiss left the college on 15 July 2019

Cash equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

Name	CETV at 31/07/19 **£'000**	CETV at 31/07/18 **£'000**	Real increase in CETV **£'000**
Jackie Galbraith - Principal*	140	N/A	140
Mhairi Harrington - Principal*	1,000	1,000	0
Simon Earp - Vice Principal	32	16	32
George Hotchkiss - Vice Principal**	497	466	31
Jennifer McLaren - Vice Principal	178	153	25

*Mhairi Harrington left the college on 3 August 2018 and Jackie Galbraith joined the college on 6 August 2018. Mhairi Harrington left the pension scheme at the end of 2016-17.
**George Hotchkiss left the college on 15 July 2019

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

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

(i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
(ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

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

Compensation for loss of office

Two employees left under voluntary exit terms during the year. They received a total compensation payment of £38,353.90.

	2019 £'000	**Number of Employees**	**2018 £'000**
Compensation payment	15-20	2	0

Staff Report

Salaries and Related costs

	2019 Directly employed staff **£'000**	**2019** Seconded and agency staff **£'000**	**2019** Total **£'000**	**2018** Total **£'000**
Wages and salaries	9,926	0	9,926	8,958
Social security costs	921	0	921	848
Other pension costs	2,739	0	2,739	2,109
Restructuring Costs	40	0	40	7
Total	13,626	0	13,626	11,922
Average number of FTE	296	0	296	292

The college employed 238 females (66%) and 120 (34%) males during 2018-19 (headcount).

Sick Absence Data
The total sick absence percentage as at 30 June 2019 was 4.9%.

Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) regulations 2017, the college provided the following support through paid facility time for union officials working at the college during the period 1 April 2018 to 31 March 2019.
Relevant union officials

Number of employees who were relevant union officials during the relevant period	7
Full time equivalent employee number	6.4

Percentage of time spend on facility time

Percentage	Number of employees
0%	0
1%-50%	7
51%-99%	0
100%	0

Percentage of pay bill spend on facility time

Total cost of facility time	10,970
Total pay bill	13,626,000
Percentage of the total pay bill spend on facility time	0.1%

Paid trade union activities

Time spend on trade union activities as a percentage of total paid facility time hours was 100%.

Equal Opportunities

West Lothian College published its Equality Mainstreaming Report Review in April 2019, providing an update on progress made to achieve our General and Public Sector equality duties. A range of policies ensures that staff, students and visitors are treated equitably regardless of colour, race, nationality, ethnic or national origin, religion or belief, disability, gender or gender reassignment, age and sexual orientation, pregnancy and maternity, marriage or civil partnership.

In 2018-19, the college achieved the LGBT Charter of Rights (Silver status) certificate from LGBT Youth Scotland and was reaccredited as a Disability Confident employer.

We value diversity and advance equality of opportunity, foster good relations and seek to eliminate discrimination, victimisation and harassment in all our activities.

Policies and procedures, work practices and terms and conditions of employment are reviewed continuously and equality-impact assessed to comply with legislation and match best practice.

Applications for a place are considered from all members of the community in respect only of the qualifications and skills necessary to meet course entry requirements.

The college considers all applications for employment from all members of the community in respect only of the qualifications and skills necessary to fulfil the requirements of the position.

Approved by the Board of Governors on 10 December 2019 and signed on its behalf by:

Jackie Galbraith
Principal and Chief Executive

BOARD OF GOVERNORS REPORT

Board of Governors

Membership of the Board of Governors

The Post 16 Education (Scotland) Act 2013 requires that the board of a regional college should consist of no fewer than 15, nor more than 18 members. The Board of Governor members who held office during the year were as follows:

Alex Linkston	Regional Chair	
Sue Cook	Vice Chair and non-executive member	Re-appointed 01/03/19
Jackie Galbraith	Principal and Chief Executive	Appointed 06/08/18
Mhairi Harrington	Principal and Chief Executive	Retired 03/08/18
Simon Ashpool	Non-Executive member	
Thomas Bates	Non-Executive member	
Elaine Cook	Non-Executive member	Appointed 02/05/19
Frank Gribben	Non-Exec /Senior Independent Member	Re-appointed 01/03/19
Lynne Hollis	Non-Executive member	Appointed 02/05/19
Graham Hope	Non-Executive member	Term ended 31/03/19
Richard Lockhart	Non-Executive member	
Iain McIntosh	Non-Executive member	Re-appointed 01/03/19
Morag McKelvie	Non-Executive member	Term ended 31/03/19
Colin Miller	Non-Executive member	Re-appointed 01/03/19
Moira Niven	Non-Executive member	
Claire Probert	Non-Executive member	
Norman Ross	Non-Executive member	
Angela Bell	Staff	Resigned 02/03/18
Alan Morton	Staff	Resigned 24/06/19
Julia Simpson	Staff	Appointed 06/09/18
Neil Sinclair	Staff	Appointed 25/06/19
Michelle Low	Student	
Gemma Reynolds	Student	

Membership of the Senior Team

The Senior Team is responsible for the day to day management of West Lothian College's activities and operations and consists of:

Jackie Galbraith	Principal and Chief Executive	Appointed 06/08/18
Mhairi Harrington	Principal and Chief Executive	Retired 03/08/18
George Hotchkiss	Vice Principal Curriculum and Planning	Resigned 15/07/19
Simon Earp	Vice Principal Curriculum and Enterprise	
Jennifer McLaren	Vice Principal Finance and Curriculum	

Related Party Transactions

Due to the nature of the college's operations and the composition of its Board of Governors (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the college's Board of Governors may have an interest, and will be recorded as such in the Minutes of the Meetings and/or the Register of Interest. All transactions involving organisations in which a member of the Board of Governors may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures. The related party transactions due to/by the college for the year ended 31 July 2019 and the amounts outstanding at this date are disclosed in note 24.

Personal Data Related Incidents

Section 417 of the Companies Act 2006 requires that organisations report on personal data related incidents. In 2018-19, the college had no reported data incidents (2017-18: no incidents).

Jackie Galbraith
Principal and Chief Executive
10 December 2019

Statement of the Responsibilities of the Board of Governors

The Board of Governors are required to present audited financial statements for each financial year.

In accordance with the Further and Higher Education (Scotland) Act 1992 as amended by the Further & Higher Education (Scotland) Act 2005 and subsequently by the Post-16 Education (Scotland) Act 2013, the Board of Governors is responsible for the administration and management of the college's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the college and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 as amended by the Further & Higher Education (Scotland) Act 2005 and subsequently amended by the Post-16 Education (Scotland) Act 2013, the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education, the Government Financial Reporting Manual 2017-18 (FReM) where applicable and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the college's Board of Governors, the Board of Governors, through its designated office holder, 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 financial statements are prepared in accordance with the Accounts Direction issued by the Scottish Funding Council which brings together the provisions of the Financial Memorandum with other formal disclosures that the Scottish Funding council require the Board of Governors to make in the financial statements and related notes.

In preparing the financial statements, the Board of Governors is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the college will continue in operation. The Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

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

- Secure the economical, efficient and effective management of the college's resources and expenditure.

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and support departments;

- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;

- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;

- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance and General Purposes Committee;

- Professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors and whose head provides the Board of Governors with a report on internal audit activity within the college and an opinion on the adequacy and effectiveness of the college's system of internal control, including internal financial control.

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

Auditor

The Auditor General for Scotland has appointed Mazars LLP to undertake the audit for the year ended 31 July 2019.

Disclosure of Information to Auditors

The Board of Governors certify that, so far as we are each aware, there is no relevant audit information of which the college's auditors are unaware; and as members of the Board of Governors we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the college's auditors are aware of that information.

Approved by order of the members of the Board on 10 December 2019 and signed on its behalf by:

Alex Linkston
Chair

GOVERNANCE STATEMENT

Introduction

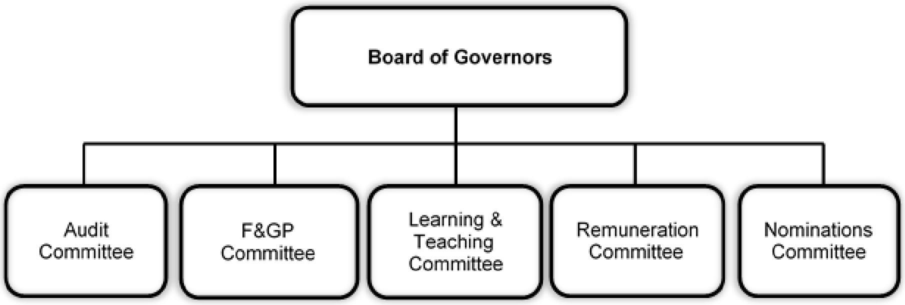
The college is committed to exhibiting best practice in all aspects of corporate governance. This summary is written to assist the reader of the financial statements and describes the manner in which the college has applied the principles of good governance set out in 2016 Code of Good Governance for Scotland's Colleges and the Government's Scottish Public Finance Manual.

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in West Lothian College in the year ended 31 July 2019 and reports the Board's assessment of the effectiveness of these arrangements.

On 6 August 2018 a new Principal was appointed, the previous Principal retired on 3 August 2018. In addition there were changes to the Board membership during 2018-19 (see page 20).

Governance Structure

The college has an effective Board and Committee structure in place. All of the Committees are formally constituted with terms of reference.



The Full Board meets four times a year. In addition it holds an annual strategic meeting which is dedicated to discussing the college's strategic development. During 2018-19 the Board held a strategic planning workshop to inform the college's draft 10-year strategic plan which will be finalised during 2019-20.

Additionally the Learner Attainment Sub-Group continued to meet throughout 2018-19. This Group was established during 2017-18 to examine how to improve attainment and retention rates to optimise student success. This Group comprises of Board members and reports to the Learning and Teaching Committee.

Board of Governor Committees

The Audit Committee meets four times a year, with the college's external and internal auditors in attendance where required. The Committee considers detailed reports together with recommendations for the improvement of the college's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the college's business and monitors adherence to the regulatory requirements. Whilst the Principal attends meetings of the Audit Committee as necessary, she is not a member of the Committee.

The Finance and General Purposes Committee (F&GP) inter alia recommends to the Board the college's annual revenue and capital budgets and normally meets four times a year.

The Learning and Teaching Committee meets four times a year, and focuses on the quality of the student experience.

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal and meets as required, normally once a year.

The Nominations Committee considers candidates to fill vacancies on the Board and meets as required, normally at least once per year. The Nominations Committee is responsible for selecting candidates for appointment by the Board of Governors to vacancies in its membership. The Committee may use a number of selection methods, including external advertising, personal contact, the encouragement of nominations and the use of a search committee. The Committee considers the balance of membership, including members' experience and skills and identifies any gaps. The Committee also tries to ensure that the membership of the Board reflects its community. The Committee makes its recommendations to the Board for consideration and approval for appointment.

Board of Governors Membership

The college's Board of Governors comprises lay members, students and employees appointed under the Further and Higher Education (Scotland) Act 1992, as amended by the Further & Higher Education (Scotland) Act 2005 and subsequently by the Post-16 Education (Scotland) Act 2013. The majority of Board members are non-executive. The roles of Chairman and Vice-Chairman of the Board of Governors are separated from the role of the college's Principal. During 2018-19 the college improved its gender balance for the non-executive positions from 9 males/4 females to 8 males/5 females.

The matters specifically reserved to the Board for decision are set out in the college's Standing Orders, by custom and under the Financial Memorandum with the Scottish Funding Council. The Board acknowledges the responsibility for the ongoing strategic direction of the college, approval of major developments and the receipt of regular reports from the Principal on the day to day operations of its business.

Board Effectiveness

The Board, and its sub-committees, participate in annual self-evaluation reviews of its performance. This is facilitated by the Secretary to the Board using a self-evaluation questionnaire with all questions being discussed by the Board or Committee as a group and their consensus view recorded. Any actions for improvement are noted and followed up at subsequent meetings of the Board or Committees. The evaluation of the effectiveness of individual members is considered informally by the Chair of the Board or relevant Committee, and if concerns are noted they follow these up with the member directly.

Progress on 2017-18 actions

- The Learner Attainment Sub Group continued to ensure that learning and teaching issues were given appropriate scrutiny.
- The Principal's Fortnightly Update now contains a 'Board News' section to share Board information with the wider college.
- Two 'Deep Dive' session (SQA Results and Applications) allowed a thorough scrutiny of strategic areas.
- A recruitment Open Evening in January 2019 shared with 'Changing the Chemistry' took place to strengthen diversity for board recruitment.
- Financial Statements training was delivered by Mazars in September 2018.

Actions for improvement from the 2018-19 self-evaluation reviews were:

- The Finance & General Purposes Committee identified a lack of Human Resource expertise in their membership which will be addressed at the next recruitment round (December 2019)
- All Committees encouraged members to attend another Committee meeting to develop their understanding of the college's business.
- A joint meeting of the Audit and Finance & General Purposes Committee to discuss the accounts will be considered
- The Board are looking to examine ways in which they could develop appropriate Stakeholder engagement
- The college strategic plan is being developed and the Board will need to ensure close alignment with the Outcome Agreement

An independent review of Board effectiveness is due to be undertaken in 2019-20.

Attendance

The attendance of members at Board meetings during the year was as follows:

	Status	Date of Appointment / Re-Appointment	Date of Retiral / Resignation (if applicable)	Board of Management	Audit Committee	Finance & General Purposes Committee	Learning & Teaching Committee	Remuneration Committee
Number of Meetings				4	4	4	5	2
Alex Linkston	Regional Chair	27/06/16		4		2		2
Sue Cook	Non-Exec /Vice Chair	01/03/19		4	3		5	2
Simon Ashpool	Non-Exec	01/07/16		4	4			
Thomas Bates	Non-Exec	01/08/17		3			4	
Elaine Cook	Non-Exec	02/05/19		1			1	
Jackie Galbraith	Principal	06/08/18		4		4	5	
Frank Gribben	Non-Exec /Senior Independent Member	01/03/19		4		3		
Mhairi Harrington	Principal	01/03/15	03/08/18	0				
Lynne Hollis	Non-Exec	02/05/19		0				
Graham Hope	Non-Exec	01/04/15	31/03/19	2	3			2
Richard Lockhart	Non-Exec	01/07/16		3		4		
Iain McIntosh	Non-Exec	01/03/19		4			3	
Morag McKelvie	Non-Exec	01/04/15	31/03/19	3		1		0
Colin Miller	Non-Exec	01/03/19		3	4			
Moira Niven	Non-Exec	01/12/16		4		4		
Claire Probert	Non-Exec	01/08/17		2		4		
Norman Ross	Non-Exec	01/12/15		3	4			
Angela Bell	Staff	01/03/15	02/03/18	0				
Julia Simpson	Staff	06/09/18		3		3		
Alan Morton	Staff	01/07/15	24/06/19	4			5	
Neil Sinclair	Staff	25/06/19		0				
Michelle Low	Student	01/06/18		3			5	
Gemma Reynolds	Student	01/06/18		4			4	

Estates Strategy

The college estates strategy is evidence-based and allows the college to continue with its programme of aligning its estate to the emerging needs of learners and curriculum delivery requirements. The strategy allows for replacement of windows and window frames and boilers as well as implementing the agreed programme of lifecycle maintenance so that the fabric of the college buildings remain of a high standard.

Risk Management

The college maintains a Strategic Risk Register. Each strategic risk is assigned an owner from the Senior Team. All support areas and curriculum centres maintain an operational risk register which is updated quarterly. The operational risk register updates feed into the quarterly Strategic Risk Register updates to the Audit Committee. The Performance Report details key strategic risks identified during 2018-19 and the mitigating actions.

The most significant risks during 2018-19 were

- Unable to invest in the estate due to reduced funding;
- External funding pressures adversely impacting on college sustainability; and
- Failing to provide a safe and fit for purpose IT infrastructure.

The Audit Committee advises the Board of Governors on the strategic risk process. The Committee reviews the risk management framework, strategic risks and considers management's review of operational risks. This review has included considering whether risks are appropriately ranked based on likelihood and impact and considering whether mitigating controls highlighted as being in place are adequate

Reports by management have been received and reviewed by the Board and Board Committees which have provided information as to how risks are being managed and what internal controls are in place.

Internal Audit

West Lothian College also has an internal audit service, the work of which concentrates on areas of key activities determined in accordance with the annual internal audit plan approved by the Board of Governors. The internal auditors report to the Audit Committee, and have direct access to the chairman of the Audit Committee if required. The internal auditors issue an annual report that gives an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

Internal audit reports have been received on a range of areas within the college during 2018-19. In the internal auditor's opinion, the college has a framework of internal controls in place that provides reasonable assurance regarding the organisation's governance, risk management, achievement of objectives and value for money for the year ended 31 July 2019.

Internal Control

The college's Board of Governors is responsible for the college's system of internal control and for reviewing its effectiveness. The review of the effectiveness of the system of internal control is conducted through the work of the Board of Governors, the Finance and General Purposes Committee and the Audit Committee. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The college has a range of internal financial controls which include:

- a budgeting system with an annual budget which is approved by the Board of Governors;
- the provision of management information on a planned, regular basis and as required;
- regular reviews by the Finance and General Purposes Committee of monthly and annual financial reports and key performance indicators which indicate financial performance against the forecasts; and
- financial regulations, which identify policy and set up a control system within which management can delegate authority whilst informing staff of correct financial procedures.

Assessment of the effectiveness of internal controls

The Board of Governor's is of the opinion that throughout the year ended 31 July 2019, the college has been in compliance with all the principles set out in the 2016 Code of Good Governance for Scotland's Colleges and the Government's Scottish Public Finance Manual.

The Board of Governors is of the view that there is a process for identifying, evaluating and managing the college's significant risks, that it has been in place for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Board of Governors and that it accords with the 2016 Code of Good Governance for Scotland's Colleges and the Government's Scottish Public Finance Manual.

External auditors have reviewed the key financial controls to the extent required, to ensure the college's financial statements are not materially misstated. The external auditors have not identified any weaknesses in key controls and the wider scope work has identified appropriate Governance procedures and management has adequate arrangements in place covering standards of conduct.

Going Concern

The Board of Governors has considered the college's forecasts and financial projections and considers that the college has adequate resources to meet its ongoing liabilities and continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Although the college has net liabilities, this is due to the change of treatment of deferred Government Grant (capital) which is now recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Conclusion

In conclusion, it is the opinion of the Board of Governors that the college complies with all the provisions of the 2016 Code of Good Governance for Scotland's Colleges and the Scottish Public Finance Manual and it has complied throughout the year to 31 July 2019.

Approved by order of the members of the Board on 10 December 2019 and signed on its behalf by:

Alex Linkston	**Jackie Galbraith**
Chair	Principal and Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF GOVERNORS OF WEST LOTHIAN COLLEGE, 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 Lothian College for the year ended 31 July 2019 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows, Statement of Accounting Policies 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 2019 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you 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 Governors for the financial statements

As explained more fully in the Statement of the Responsibilities of the Board of Governors, the Board of Governors 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 Governors 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 Governors 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 Governors 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 Governors 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.

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

Date:

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

	Notes	**Year Ended 31 July 2019 £'000**		Year Ended 31 July 2018 £'000
Income				
SFC grants	2	**13,723**		12,647
Tuition fees and education contracts	3	**3,391**		3,140
Other income	4	**1,891**		2,049
Investment income	5	**1**		1
Total Income		**19,006**		17,837
Expenditure				
Staff Costs	6	**13,626**		11,922
Other operating expenses	7	**5,750**		5,821
Depreciation	10	**787**		800
Interest payable	8	**194**		233
Total Expenditure		**20,357**		18,776
Deficit before tax		**(1,351)**		(939)
Taxation	9	**-**		-
Deficit for the year		**(1,351)**		(939)
Actuarial (loss)/gain in respect of pension schemes		**(3,036)**		2,651
Total comprehensive income for the year		**(4,387)**		1,712
Represented by:				
Restricted comprehensive income		**-**		-
Unrestricted comprehensive income		**(4,387)**		1,712
		(4,387)		1,712

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note 28 provides details of the adjusted operating position on a Central Government basis.

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Account £'000	*Revaluation Reserve £'000*	*Total*
Balance at 31 July 2017	**(11,273)**	**6,440**	**(4,833)**
Deficit from statement of comprehensive income	(939)	-	(939)
Other comprehensive income	2,651	-	2,651
Transfers between revaluation reserve and income and expenditure account	299	(299)	-
Total comprehensive income for the year	**2,011**	**(299)**	**1,712**
Balance at 31 July 2018	**(9,262)**	**6,141**	**(3,121)**
Deficit from statement of comprehensive income	(1,351)	-	(1,351)
Other comprehensive income	(3,036)	-	(3,036)
Transfers between revaluation reserve and income and expenditure account	298	(298)	-
Total comprehensive income for the year	**(4,089)**	**(298)**	**(4,387)**
Balance at 31 July 2019	**(13,351)**	**5,843**	**(7,508)**

BALANCE SHEET AS AT 31 JULY

	Notes	2019 £'000		2018 £'000
Non-Current Assets				
Fixed Assets	10	**18,073**		18,860
Current Assets				
Trade and other receivables	11	**1,169**		864
Cash and cash equivalents	17	**760**		729
		1,929		1,593
Less: Creditors; amounts falling due within one year	12	**(2,790)**		(2,428)
Net Current Liabilities		**(861)**		(835)
Total Assets less Current Liabilities		**17,212**		18,025
Creditors: amounts falling due after more than one year	13	**(14,060)**		(14,675)
Provisions				
Defined benefit obligations	15	**(6,904)**		(2,783)
Other provisions	15	**(3,756)**		(3,688)
Total Net Liabilities		**(7,508)**		(3,121)
Unrestricted Reserves				
Income and expenditure account	16	**(13,351)**		(9,262)
Revaluation reserve		**5,843**		6,141
Total Reserves		**(7,508)**		(3,121)

The financial statements on pages 33 to 59 were approved by the Board of Governors
On 10 December 2019 and signed on its behalf on that date by:

Alex Linkston
Chair

Jackie Galbraith
Principal

STATEMENT OF CASH FLOWS

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
Cash flow from operating activities		
Deficit for the year	**(1,351)**	(939)
Adjustment for non-cash items		
Depreciation	**787**	800
Deferred capital grants released to income	**(457)**	(457)
(Increase) in debtors	**(305)**	(305)
Increase/(Decrease) in creditors due within one year	**362**	(495)
(Decrease) in provisions	**(198)**	(199)
Pension costs less contributions payable	**1,157**	719
Adjustment for investing or financing activities		
Investment income	**(1)**	(1)
Interest payable	**194**	233
Net cash inflow/(outflow) from operating activities	**188**	(644)
Cash flows from investing activities		
Interest received	**1**	1
	1	1
Cash flows from financing activities		
Repayments of amounts borrowed	**(158)**	(158)
	(158)	(158)
Increase/(Decrease) in cash and cash equivalents in the year	**31**	(801)
Cash and cash equivalents at start of the year	729	1,530
Cash and cash equivalents at end of the year	760	729

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2019

1 STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015, and in accordance with Financial Reporting Standards FRS 102 and the 2018-19 Government Financial Reporting Manual (FReM) issued by the Scottish Government. They conform to the Accounts Direction and other guidance published by the Scottish Funding Council (FReM 2.2.6).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the college's accounting policies.

b) Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of surplus land and certain fixed assets.

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the college for the 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. (FReM 2.2.6).

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 cash flow and liquidity are presented in the Financial Statements and accompanying Notes. The net liabilities are due to the reclassification of deferred Government grants as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate

The college's forecasts and financial projections indicate that 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

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

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

Income received in advance is recognised as deferred income within creditors on the balance sheet and then released to the Statement of Comprehensive Income in the period it is earned.

All income from short-term deposits and Investment income is credited to the Statement of Comprehensive Income on a receivable basis.

Funds the college receives and disburses as paying agent on behalf of a funding body are excluded from the Statement of Comprehensive Income.

e) 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 creditors due within one year and due after more than one year as appropriate.

Grants from non-governmental 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.

f) 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.

g) Short Term 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.

h) Pension Schemes

Retirement benefits to employees of the college are provided by the Teachers' Superannuation Scheme (Scotland) (STSS) and the Lothian Pension Fund (LPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme until March 2016.

i) STSS

The college is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. The amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

ii) LPF

The college's share of LPF scheme assets and liabilities are valued by the LPF actuary, Hymans Robertson. Contributions to the schemes are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over employees working lives with the college. The contributions are determined by an actuary on the basis of triennial valuations. In accordance with FRS 102, the amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

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

i) Tangible Fixed Assets

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

i) Land and Buildings

Land and Buildings are measured using the revaluation model. Under the revaluation model assets are revalued to fair value. Where appropriate Depreciated Replacement cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The college has a policy of ensuring a full revaluation takes place at least every 5 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.

Freehold land is not depreciated as it is considered to have an indefinite useful life.

College buildings are depreciated over 30 years and transferred car parking areas are depreciated over 25 years, both commencing in the first full financial year after the date of transfer of the estate to public ownership (2 April 2007). Other additions to the estate are depreciated over 10 years from the date they are brought into use.

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

If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months the asset was in use.

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

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

ii) Fixed Plant and Equipment

Equipment is capitalised at cost and carried at depreciated historical cost, which is used as a proxy for fair value when it is expected to be in use within the business on a continuing basis for at least 3 years. Depreciated historical cost is deemed to be more appropriate than revaluing for equipment as it is common for such assets to reduce in value rather than to increase as they are utilised by the college (FReM 6.2). Capitalised equipment is depreciated over its useful economic life from the date it is brought into use as follows: -

Fixed Plant	5-29 years
Equipment	4 years

Where equipment is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

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

iii) Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the lease term.

iv) Finance Leases

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

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

j) Maintenance of Premises

The cost of maintenance is charged to the Statement of Comprehensive Income in the period in which it is incurred.

k) Stocks

The Board of Governors agree that stocks be written off in the year of acquisition on the basis of non-materiality.

l) 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.

m) Taxation

The college is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. The college is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator and therefore not liable for corporation tax.

Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged to the Statement of Comprehensive Income.

The college benefits by being exempt from corporation tax on income it receives from tuition fees, interest and rents.

n) Provisions

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

o) Agency Arrangements

The college acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the college Statement of Comprehensive Income; movements have been disclosed in the notes. Where the college has more discretion in the manner in which specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds is shown in the college Statement of Comprehensive Income.

p) Financial Instruments

The college only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and other loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

q) Judgements in applying accounting policies and key sources of estimation uncertainty

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

- Determine whether leases entered into by the college either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- 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

- 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.

- Local Government Pension Scheme

  The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability.

2 SFC GRANTS

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
SFC Teaching & fee waiver grant	**11,442**	10,092
Childcare funds	**822**	685
Release of deferred capital grants (SFC)	**457**	457
Other SFC Grants	**1,002**	1,413
	13,723	12,647

3 TUITION FEES AND EDUCATION CONTRACTS

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
FE Fees - UK	**1,051**	885
HE Fees - UK	**1,565**	1,553
SDS contracts	**775**	702
	3,391	3,140

4 OTHER INCOME

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
Residence and catering	**342**	311
European funds	**196**	249
Other income generating activities	**1,145**	1,216
Other income	**208**	273
	1,891	2,049

5 INVESTMENT INCOME

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
Other Interest Receivable	**1**	1

6 STAFF COSTS

The average weekly number of persons (including senior post-holders) employed by the college during the period was:

	Year Ended 31 July 2019 FTE	*Year Ended 31 July 2018 FTE*
Teaching departments	**170**	169
Teaching support services	**32**	32
Administration	**40**	38
Premises	**24**	23
Catering and residences	**9**	9
Other Income-generating activities	**18**	18
Other staff	**3**	3
	296	292
Analysed as:		
Staff on permanent contracts	**274**	258
Staff on temporary contracts	**22**	34
	296	292

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
Staff Costs for the above persons		
Wages and salaries	**9,926**	8,958
Social security costs	**921**	848
Other pension costs	**2,739**	2,109
Restructuring costs	**40**	7
	13,626	11,922
Analysed as:		
Staff on permanent contracts	**11,375**	9,777
Staff on temporary contracts	**1,054**	1,419
Pension charge less contributions paid	**1,157**	719
Restructuring costs	**40**	7
	13,626	11,922

	Year Ended 31 July 2019 £'000		Year Ended 31 July 2018 £'000
Analysed as:			
Teaching departments	**7,656**		6,932
Teaching support services	**1,051**		979
Administration	**1,676**		1,544
Premises	**660**		616
Catering and residences	**201**		209
Other income-generating activities	**762**		731
Other staff	**423**		185
Pension charge less contributions paid	**1,157**		719
Restructuring costs	**40**		7
	13,626		11,922

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the college and are represented by the Senior Team which comprises the Principal and three Vice Principals.

Emoluments of Key management personnel, Accounting Officer and other higher paid staff

	2019 No.		2018 No.
The number of key management personnel including the Accounting Officer was:	**4**		4

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	Key management personnel		***Other staff***	
	2019 No.	*2018 No.*	**2019 No.**	2018 No.
£60,001 to £70,000	**3**	3	-	-
£110,001 to £120,000	**1**	1	-	-
	4	4	-	-

Key management personnel emoluments are made up as follows:

	2019	2018
	£'000	£'000
Salaries	**322**	**316**
Benefits in kind	**-**	**-**
	322	**316**
Pension contributions	**57**	**37**
Total emoluments	**379**	**353**

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place. The above emoluments include amounts payable to the Accounting officer (who is also the highest paid officer) of:

	2019	2018
	£'000	£'000
Salaries	**105**	**112**
Benefits in kind	**-**	**-**
	105	**112**
Pension contributions	**20**	**-**
Total emoluments	**125**	**112**

Compensation for loss of office paid to former key management personnel

	2019	2018
	£'000	£'000
Compensation paid to former post-holders	**23**	-
Estimated value of other benefits, including provision for pension benefits	**-**	-

Overseas Activities

The following costs were incurred during 2018-19 in respect of overseas activities which were carried out in accordance with the strategy approved by the board of governors:

	Total Cost £	Contribution Received £	Net Costs To College £
Members	-	-	-
Senior post-holders	-	-	-
Other staff	48,796	-	48,796

7 OTHER OPERATING EXPENSES

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
Teaching departments	**732**	673
Teaching support services	**360**	234
Administration	**1,568**	1,435
Premises	**1,118**	1,701
Catering	**176**	179
Other income generating activities	**415**	473
Overspend on student support funds	**4**	15
Childcare fund costs	**822**	685
Other	**555**	426
	5,750	5,821

Other Operating Expenses (Administration) include:

Auditors Remuneration (including irrecoverable VAT)		
- Internal audit	**22**	21
- External audit	**15**	14
Other services provided by:		
- Internal audit	**10**	-
- External audit	**-**	-
-		
	47	35

8 INTEREST PAYABLE

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
On bank loans, overdrafts and other loans	**-**	-
Pension finance costs	**194**	233
	194	233

9 TAXATION

The Board does not believe the college was liable for any corporation tax arising out of its activities during this period.

10 FIXED ASSETS

	Land & Buildings Freehold £'000	Fixed Plant £'000	Equipment £'000	Total £'000
Cost or valuation				
At 31 July 2018	18,329	1,798	66	20,193
Additions	-	-	-	-
Disposals	(120)	(13)	-	(133)
At 31 July 2019	**18,209**	**1,785**	**66**	**20,060**
Depreciation				
At 31 July 2017	1,108	198	27	1,333
Charge for Period	583	185	19	787
Disposals	(120)	(13)	-	(133)
At 31 July 2019	**1,571**	**370**	**46**	**1,987**
Net Book Value **At 31 July 2019**	**16,638**	**1,415**	**20**	**18,073**
Net Book Value At 31 July 2018	17,221	1,600	39	18,860
Financed by: Capital Grant	**16,638**	**1,415**	**20**	**18,073**

The college's land and buildings were independently valued by GVA James Barr as at 31 July 2017. This valuation has been incorporated into these financial statements. Under FRS102 the Board gives annual consideration to assessing the value of buildings and equipment to be included in the annual accounts. The basis of valuation adopted was depreciated replacement cost. Had they not been re-valued, inherited and owned land, buildings and fixed plant would have had an historic net book value of £16,592,000 (2018: £16,151,000).

11 TRADE AND OTHER RECOVERABLES

	Year Ended 31 July 2019 £'000	*Year Ended 31 July 2018 £'000*
Trade Debtors	**586**	620
European Funding	**25**	7
Prepayments and accrued income	**509**	177
Amounts Owed by SFC	**49**	60
	1,169	864

12 CREDITORS: Amounts falling due within one year

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Trade Creditors	**654**	526
Taxation and Social Security	**518**	399
Accruals and Deferred income	**876**	857
Deferred Income – Deferred capital grant < 1 Year	**457**	457
Deferred Income – SFC capital grants	**12**	12
Deferred Income – SFC revenue grants	**68**	6
Amounts Owed to SFC	**158**	158
Unspent Student Funds	**47**	13
	2,790	2,428

13 CREDITORS: Amounts falling due after one year

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Amounts Owed to SFC	**2,211**	2,369
Deferred Income – SFC Capital grants	**11,849**	12,306
	14,060	14,675

14 MATURITY OF DEBT

SFC Loan is repayable as follows:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
In one year or less	**158**	158
Between one and two years	**158**	158
Between two and five years	**632**	632
In five years or more	**1,421**	1,579
	2,369	2,527

The college voluntarily terminated its PFI contract in April 2007, at which point the title of the college buildings transferred to the college. The college received total funding from SFC in April 2007 of £27.7million to enable it to terminate the contract. This comprised a grant of

£22.16million and a repayable advance of £5.54million representing the college's own contribution towards the cost of the assets previously held under the PFI contract.

The £5.54million advance is interest free and was repayable in equal instalments over 16 years. The first repayment was made in August 2010 and at 31 July 2019 the amount outstanding was £2,369,055. In March 2014 the college made an upfront payment of £650,000 towards the loan and negotiated a reduced annual payment of £157,937 per annum with the Scottish Funding Council from April 2015.

15 PROVISIONS

	Defined Benefit Obligations	***Early Retirement Provision***	***Total***
	£'000	***£'000***	***£'000***
At 1 August 2018	2,783	3,688	**6,471**
Expenditure in the period	(817)	(198)	**(1,015)**
Other movements in period	4,938	266	**5,204**
At 31 July 2019	**6,904**	**3,756**	**10,660**

Defined benefit obligations relate to liabilities under the college's membership of the Local Government pension scheme. Further details are given at Note 18.

The early retirement provision is in accordance with a valuation carried out by Hymans Robertson, an independent firm of actuaries at 31 July 2019.

16 RESERVES

Analysis of income and expenditure account

	I&E Account Trading Activities £'000	I&E Account Holiday Pay £,000	I&E Account PFI Loan £'000	I&E Account Early Retiremnt £'000	I&E Account Defined Benefit Pension £'000	Total £'000
At 31 July 2018	(111)	(153)	(2,527)	(3,688)	(2,783)	**(9,262)**
Total comprehensive income for the year (excluding revaluation)	21	(21)	-	(266)	(4,121)	**(4,387)**
Transfer from Revaluation Reserve	298	-	-	-	-	**298**
Repayments of PFI loan	(158)	-	158	-	-	**-**
Payments for early retirement	(198)	-		198	-	**-**
At 31 July 2019	**(148)**	**(174)**	**(2,369)**	**(3,756)**	**(6,904)**	**(13,351)**

17 CASH AND CASH EQUIVALENTS

	At 1 August 2018 £'000	Cash Flows £'000	Other £'000	At 31 July 2019 £'000
Cash	729	31	-	**760**
Debt due within 1 year	(158)	158	(158)	**(158)**
Debt due after 1 year	(2,369)	-	158	**(2,211)**
	(1,798)	**189**	**-**	**(1,609)**

18 PENSION COMMITMENTS

The college's employees belong to two principal pension schemes: the Scottish Teachers' Superannuation Scheme (STSS), and the Lothian Pension Fund (LPF).

Total pension cost for the period	***Year Ended 31 July 2019 £'000***	*Year Ended 31 July 2018 £'000*
STSS contributions paid	**765**	717
LPF Pension scheme:		
Contributions paid	**817**	673
FRS 102 (28) charge	**1,157**	719
Charge to the Statement of Comprehensive Income	**1,974**	1,392
Total Pension Cost for the period within staff costs	**2,739**	2,109

Contributions amounting to £151,000 (2018: £120,000) were payable to the schemes at 31 July and are included within creditors.

Scottish Teachers Superannuation Scheme

The Scottish Teachers' Superannuation Scheme is a notional fund valued every year by the Government actuary. Contributions are paid by the college at the rate specified. The Scheme is unfunded and contributions are made to the Exchequer. The payments from the scheme are made from funds voted by the Scottish Parliament. The contribution rate payable by the employer since 1 April 2015 is 17.2% of pensionable salaries. From 1 September 2019 this rate will rise to 23%.

Under the definitions set out in Financial Reporting Standard 102 (28.11) (FRS 102), the STSS is a multi-employer pension plan. The college is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the college has taken advantage of its exemption in FRS 102 and has accounted for its contributions as if it were a defined contribution plan. The college has set out above the information available on the plan and the implications for the college in terms of the anticipated contribution rates.

Lothian Pension Fund Scheme

The Lothian Pension Fund is valued every three years by professionally qualified independent actuaries using the projected unit credit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years, the LPF actuary reviews the progress of the LPF scheme.

The Lothian Pension Fund is a funded defined-benefit plan, with assets held in separate funds administered by City of Edinburgh Council. The total contributions made for the year ended 31 July 2019 were £1,076,000 and employees' contributions totalled £259,000. The agreed contribution rates for future years for the employer are 18.8% from 1 April 2018, 19.3% from 1 April 2019 and 19.8% from 1 April 2020. For employees, contribution rates range from 5.5% to 12.0% depending on salary.

Principal Actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 31 July 2019 by a qualified independent actuary.

	At 31 July 2019	At 31 July 2018
Rate of increase in salaries	**4.1%**	4.1%
Future pensions increases	**2.4%**	2.4%
Discount rate for scheme liabilities	**2.1%**	2.8%
Inflation assumption (CPI)	**2.5%**	2.4%
Commutation of pensions – pre April 2009	**50%**	50%
Commutation of pensions – post April 2009	**75%**	75%

The current mortality assumptions include sufficient allowance for future improvements in mortality rate. The assumed life expectations on retirement at age 65 are:

	Males	**Females**
Current pensioners	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years

The college's share of assets in the scheme and the expected rate of return are:

	Long term rate of return	**Fair Value at 31 July 2019 £'000**	*Long term rate of return*	Fair Value at 31 July 2018 £'000
Equities	**2.1%**	**17,817**	2.8%	16,106
Bonds	**2.1%**	**2,613**	2.8%	2,092
Property	**2.1%**	**1,663**	2.8%	1,464
Cash	**2.1%**	**1,663**	2.8%	1,255
Total fair value of employer assets		**23,756**		20,917
Actual return on employer assets		**2,160**		461

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Fair value of employer assets	**23,756**	20,917
Present value of funded liabilities	**(30,660)**	(23,700)
Net Pension Liability	**(6,904)**	(2,783)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Amounts included in staff costs		
Current service cost	**1,581**	1,392
Past service cost	**393**	-
Total	**1,974**	1,392

Amounts included in Pension Costs		
Net pension costs	**94**	129
Total	**94**	129

Amounts recognised in Other Comprehensive Income		
Return on pension assets	**1,565**	(84)
Change in demographic assumptions	**-**	(26)
Change in financial assumptions	**(4,435)**	1,385
Other experience	**-**	1,206
Total	**(2,870)**	2,481

Movement in net defined benefit (liability) during year	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Net defined benefit (liability) at start of period	**(2,783)**	(4,416)
Movement in period:		
Current service costs	**(1,581)**	(1,392)
Past service costs	**(393)**	-
Employer contributions	**817**	673
Net interest on the defined liability	**(94)**	(129)
Actuarial (loss)/gain	**(2,870)**	2,481
Net defined benefit (liability) at end of period	**(6,904)**	(2,783)

Asset and Liability Reconciliation

Changes in fair value of plan assets	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Fair value of plan assets at start of period	**20,917**	19,964
Interest on plan assets	**595**	545
Return on plan assets	**1,565**	(84)
Employer contributions	**817**	673
Contributions by plan participants	**259**	214
Benefits paid	**(397)**	(395)
Fair value of plan assets at end of period	**23,756**	20,917

Changes in the present value of defined benefit obligations	Year Ended 31 July 2019 £'000	Year Ended 31 July 2018 £'000
Defined benefit obligation at start of period	**23,700**	24,380
Current service cost	**1,581**	1,392
Past service cost	**393**	-
Interest cost	**689**	674
Contributions by plan participants	**259**	214
Changes in demographic assumptions	**-**	26
Changes in financial assumptions	**4,435**	(1,385)
Other experience	**-**	(1,206)
Benefits paid	**(397)**	(395)
Defined benefit obligation at end of period	**30,660**	23,700

19 FINANCIAL ASSETS AND LIABILITIES

Financial Assets

Financial assets that are debt instruments measured at amortised cost totalled £635,000 (2018: £645,000) at the balance sheet date. This comprises trade debtors and amounts owed by SFC.

Financial Liabilities

Financial liabilities measured at amortised cost totalled £3,946,000 (2018: £3,923,000) at the balance sheet date. This comprises trade creditors, accruals, unspent student funds and amounts owed to SFC.

20 LOSSES AND SPECIAL PAYMENTS

Above SFC annual reporting requirements	***SFC Requirement Per Instance***	**2019 Number**	**2019 Total**
Debt write-off	*£3,000*	-	-
Cash losses	*£3,000*	-	-
Ex-gratia payments	*£1,000*	2	£35,567
Compensation payments	*£5,000*	-	-

The ex-gratia payments were approved by the Scottish Funding Council.

21 CAPITAL COMMITMENTS

At 31 July the college had commitments of a capital nature as follows:

	2019 £000	2018 £000
Committed but not contracted	-	-
Committed and contracted	-	-

22 LEASE OBLIGATIONS

At 31 July the college had minimum lease payments under non-cancellable operating leases as follows:

	2019 £'000	2018 £000
Other		
Expiring within one year	36	23
Expiring between one and five years	68	-
	104	23

During 2018-19 the college paid £35,000 in operating lease rentals.

23 CONTINGENT LIABILITIES

There were no contingent liabilities at Balance Sheet date.

24 RELATED PARTY TRANSACTIONS

Owing to the nature of the college's operations and the composition of the board of governors being drawn from local public and private organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the college's financial regulations and normal procurement procedures.

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

Name	Organisation	Position
Mr Thomas Bates	Lareine Engineering Ltd	Director
Mr Graham Hope	West Lothian Council	Chief Executive
Elaine Cook	West Lothian Council	Depute Chief Executive & lead Education Officer Regional Improvement Collaborative

2017-18

Name	Organisation	Position
Mr Thomas Bates	Lareine Engineering Ltd	Director
Mr Graham Hope	West Lothian Council	Chief Executive
Mr Ian McIntosh	Edinburgh Napier University	Leadership Consultant

The value of the transactions due to/by the college for the twelve months ended 31 July 2019, and the amount outstanding at this date was as follows:

Organisation	Year ended 31 July 2019		Year ended 31 July 2018	
	Total Value of Transactions £'000	Balance Outstanding £'000	Total Value of Transactions £'000	Balance Outstanding £'000
Due to WLC				
Lareine Engineering Ltd	**1**	**-**	1	-
West Lothian Council	**42**	**32**	72	28
Edinburgh Napier University	**-**	**-**	329	73
Due by WLC				
University of Edinburgh	**-**	**-**	2	-
West Lothian Council	**126**	**-**	103	11

The total expenses paid to or on behalf of the Governors during the year was £473 ; 4 governors (2018: £967 ; 2 governors). This represents travel and subsistence expenses and other out of pocket expenses in attending Governor meetings and other events in their official capacity.

The Chair of the Board received a salary in accordance with the directions issued by the Scottish Government. The total paid to the Chair over the period was £22,498 (2018: £22,532)

25 FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary £'000	FE Discr'y £'000	EMAs £'000	Other £'000	**2018-19 Total £'000**	2017-18 Total £'000
Balance b/fwd	13	-	(28)	-	**(15)**	(14)
Allocations received in year	2,384	518	302	160	**3,364**	3,223
Expenditure	(2,190)	(544)	(296)	(164)	**(3,194)**	(3,048)
Repaid to SFC	(40)	-	-	-	**(40)**	(95)
College Contribution	-	-	-	4	**4**	15
Virements	(120)	26	-	-	**(94)**	(137)
Balance c/fwd	47	-	(22)	-	**(27)**	(14)

Residual cash balances and the corresponding creditor / (debtor) are included in the balance sheet. FE Bursaries and Student Support Funds are available solely for students; the college acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

26 CHILDCARE FUNDS

	2018-19 £'000	2017-18 £'000
Balance b/fwd	**-**	-
Allocations received in year	**728**	548
Expenditure	**(822)**	(685)
College contribution	**-**	-
Virements	**94**	137
Balance c/fwd	**-**	-

Residual cash balances and the corresponding creditor are included in the balance sheet. Childcare Funds are reported gross in the Statement of Comprehensive Income.

27 POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

28 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. 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.

Under the FE/HE SORP, the college recorded an operating deficit of £1,351,000 for the year ended 31 July 2019. After adjusting for the non-cash allocation provided under government rules, the college shows an 'adjusted' deficit of £1,161,000 on a Central Government basis.

	2018-19 **£'000**	2017-18 £'000
Deficit before other gains and losses (FE/HE SORP basis) for academic year	**(1,351)**	(939)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	**190**	190
Operating deficit on Central Government accounting basis for academic year	**(1,161)**	(749)

The deficit is attributable to other factors reflected in the adjusted operating table (see page 13) and the college is therefore operating sustainably within its funding allocation.

APPENDIX 1

Accounts Direction

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

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

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

2 A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in section 27 ('Transition to the 2019 SORP') of the 2019 SORP.

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

4 Incorporated colleges and Glasgow College's Regional Board are also required to comply with the Government Financial Reporting Manual 2018-19 (FReM) where applicable.

5 Incorporated colleges and Glasgow College's Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2019.

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

7 Incorporated colleges and Glasgow College's regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
5 July 2019