

**WEST LOTHIAN COLLEGE**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 JULY 2018**

**The financial statements were approved and authorised for issue on 11 December 2018**

# West Lothian College

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# West Lothian College

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## Professional Advisors

### Financial Statement Auditors

Mazars LLP  
Apex 2  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD

### Internal Auditors

Scott Moncrieff  
Exchange Place  
3 Semple Street  
Edinburgh  
EH3 8BL

### Bankers

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

### Solicitors

Brechin Tindall Oatts  
48 St Vincent Street  
Glasgow  
G2 5HS

Morton Fraser  
Quartermile Two  
2 Lister Square  
Edinburgh  
EH3 9QL

## PERFORMANCE REPORT FOR THE YEAR ENDED 31 JULY 2018

### Purpose and Activities

#### 1 Purpose

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

#### 2 Performance and Overview

West Lothian College is a regional college based in Livingston serving individuals, communities and the regional economy. West Lothian has the youngest and fastest growing population in Scotland, and its population of approximately 180,000 is projected to increase by 11,000 by 2035.

The college provides a wide range of further and higher education courses to meet government priorities on Developing the Young Workforce (DYW), address the skills needs of employers to support inclusive economic growth, and widen access to education for all people in West Lothian's communities.

The college's performance in achieving the activity targets agreed with the Scottish Funding Council (SFC) has been strong, exceeding credit targets for eight consecutive years. This has been matched with equally positive financial outcomes, supported by a strong commercial and work based qualifications portfolio.

#### 3 Legal Status

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.

#### 4 Vision

The college's vision is to develop a highly skilled and enterprising workforce of the future. This vision is underpinned by values of being welcoming to all, learner centred, and committed to excellence.

#### 5 Learner profile

A total of 8,099 students attended college in 2017-18, 28% on full time courses and 72% on part time courses.

Just over half (51%) of full time students were aged 16-19 and 17% were 20-24. This was markedly different for part time students, 68% of whom were over the age of 25 reflecting the large volume of Scottish Vocational Qualifications (SVQs) delivered to employees in their place of work. Seventy per cent of full time Further Education (FE) and Higher Education (HE) students were under the age of 25, while 57% of FE part time and 85% of HE part time students were over the age of 25.

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Overall, 62% of students were female, largely reflecting the high volume of SVQs in health, social and childcare. There was a better balance of female/male students studying full time qualifications, with 53% of full time HE students being female and 47% male. However, FE full time courses were more imbalanced, with 58% female students and 42% male.

## **6 Curriculum planning**

Curriculum planning for the region is informed by local and national priorities, by local partners and by the labour market information provided in publications such as the Regional Skills Assessment for West Lothian.

The college's partnership approach ensures that the ambitions set out in our Outcome Agreement align with the West Lothian Community Planning Partnership's Local Outcome Improvement Plan. The college is also a partner in the Edinburgh and South East Scotland City Region Deal, and seeks to maximise skills and employment opportunities for our students and the people of West Lothian.

Collaborative working with schools, employers and other partners enables the college to develop a curriculum portfolio that is relevant to industry and provides our students with the best possible opportunities in a competitive jobs market. In addition, the college's well-established international partnerships offer students and staff exciting opportunities to enhance their learning through educational exchanges.

The college offers a wide range of courses at FE and HE level, delivered in a variety of ways, in areas relevant to economic and social inclusion. Subjects and industry sectors covered include early years and childcare, engineering, construction, health and social care, business and financial services, computing, creative industries, hospitality and tourism, hair and beauty, and sport and fitness.

## **7 College/School Partnership**

The college works in close collaboration with West Lothian Council and in partnership with all secondary schools in the region. In 2017-18, the college's schools portfolio consisted of 30 courses which attracted over 470 senior phase school pupils to vocational courses, Highers, and Foundation Apprenticeships.

The college is a member of West Lothian's Developing Young Workforce Steering Board which has a remit is to plan, co-ordinate and monitor partners working together to ensure a joined-up approach to providing vocational training opportunities for young people in West Lothian.

## **8 Economic context**

According to the 2018 Regional Skills Assessment for West Lothian, there will be 33,500 job openings from 2018-28. Of these, most will meet replacement demand to fill jobs by people retiring from or leaving the workforce, however 3,600 job openings will be as a result of expansion demand.

Employment growth is predicted each year over the next ten years in West Lothian. The employment structure over the next ten years is predicted to be for 44% higher level occupations, 22% for mid-level occupations and 34% for lower level occupations. The level of skills required of employees match this employment structure, with a growing number of job openings requiring people with qualifications at Scottish Credit and Qualifications Framework (SCQF) level 7 and above. This is a challenge for the region which, compared to the Scotland average, has considerably fewer people of working age with qualifications at this level.

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Although West Lothian has a lower proportion of youth and all-age unemployment than Scotland, approximately 9,000 people (5% of the population) live in some of the most deprived areas in Scotland and experience multiple deprivation.

## 9 Stakeholder Relationships

The college invests significantly in working with stakeholders to maximise opportunities for our students, and is involved at both a strategic and operational level in the Developing Young Workforce Regional Employer Group, the West Lothian Chamber of Commerce and West Lothian's Community Planning Partnership.

## 10 Principal Risks and Uncertainties

During 2017-2018, the college was successful in the management of all high level, financial, reputational and operational risks. The college has continued to utilise shared services provided by West Lothian Council and managed the associated risks and uncertainties.

Although the terms and conditions of lecturing staff and the pay award for support staff were agreed in 2017-18, the financial risk of the impact of National Bargaining remained high with the potential for industrial action in 2018-19. Looking ahead, there is a significant financial risk to the college from 2020 if the total costs of national pay bargaining harmonisation and job evaluation are not funded fully by the SFC.

During 2017-18, the college experienced a malware attack which resulted in limited access to IT and systems for staff and students over a six-week period.

The strategic risk register is led by the Senior Team with regular monitoring and reporting to the Board of Governors through the Audit Committee.

## 11 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.

## 12 Performance Summary

Improving retention and attainment, particularly on FE full time courses, was a priority for the college in 2017-18. The college-wide focus on improving FE full time attainment over the year led to an increase of 3.2%.

West Lothian College	2015-16 (SFC figures)	2016-17 (SFC figures)	2017-18 (College figures)	Change on year	Change over 3 years
FE full time	64.1%	61.9%	<b>65.1%</b>	+3.2%	+1.0%
HE full time	66.3%	72.5%	<b>70.1%</b>	-2.4%	+3.8%
FE part time	70.6%	77.7%	<b>77.5%</b>	-0.2%	+6.9%
HE part time	65.5%	74.6%	<b>80.6%</b>	+6.0%	+15.1%

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There was improvement over three years in all four indicators – FE full time, HE full time, FE part time and HE part time. While there has been good improvement in HE full time over three years (up by 3.8%) there was a decline over the year of -2.4%. Success for part time FE and HE students increased over the year, despite significant increases in the volume of students - from 2,657 to 2,900 FE part time enrolments, and from 781 to 1,212 HE part time enrolments. FE part time success improved by 6.9% over three years and HE part time success increased by 15.1% over three years.

### 13 Performance Analysis

Of all students, 41% were aged 16-24 and had an overall success rate of 70%, an increase of 3% on the previous year. Successful outcomes for full time FE students aged 16-19 rose from 54% to 72% over the year. In 2017-18, the college had a focus on improving the success of young male students and successful outcomes for FE full time 16-19 year old male students increased by 9% over the year.

There were 62 declared care experienced students enrolled in 2017-18. Successful outcomes for this group of students were 80% for FE full time and 66% for HE full time (just 3 students were enrolled on HE full time courses). Given that the SFC National Ambition targets for care experienced students by 2018-19 are 66% success for FE full time and 71% success for HE full time, the college is making good progress on successful outcomes for this group of students.

The college delivered 8.1% of credits to students living in SIMD10 areas, exceeding our target of 6%. Successful outcomes for these students were considerably higher than the college average for FE full time, FE part time and HE part time. Most SIMD10 students were enrolled on FT full time courses and 80% achieved success, significantly higher than the college average of 65.1%. Success on HE full time courses, which had the smallest number of enrolments from SIMD10 students, was 66%.

Flexible modes of study supported the vibrant West Lothian English for Speakers of Other Languages (ESOL) community and 330 students enrolled on ESOL courses in 2017-18 with a success rate of 74%.

### 14 Resources

While the College is in receipt of recurrent grant funding from the SFC, it also generates income through Skills Development Scotland (SDS) educational contracts, by delivering a wide range of commercial courses in professional qualifications in management and specialist subjects, as well as providing a large portfolio of SVQs which are delivered in the workplace and the out of core time letting of College facilities and accommodation. The college was successful in 2018 in being awarded for a second three-year period a contract to provide training for all Panel members working within the Children's Hearings system. This is delivered by a dedicated team of staff located throughout Scotland.

During this year the college worked very effectively with SDS and in partnership with West Lothian Council to extend the range of foundation apprentices available to young people, recruiting to five Foundation Apprenticeship frameworks and achieving high levels of both retention and successful completion.

Facilitated by the college's commercial activities, we were able to invest in new learning facilities, including a Health Care Teaching Suite, a Digital Production Studio and a Collaborative learning space.



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## 15 Key Performance Indicators

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

To monitor progress against the Outcome Agreement the College works with a range of key performance indicators, which are reviewed by the Senior Team and the Board of Governors on a regular basis.

The tables below detail performance in Academic Years 2015-16, 2016-17 and 2017-18

### Credits

	SFC Target	Actual	% Target
2015-16	43,499	44,669	103%
2016-17	43,499	44,085	101%
2017-18	43,988	45,326	103%

### Full-time FE

	Withdrawal	Partial Success	Completed successfully
2015-16	26.4%	9.4%	64.1%
2016-17	26.4%	11.7%	61.9%
2017-18	25.0%	9.9%	65.1%

### Full-time HE

	Withdrawal	Partial Success	Completed successfully
2015-16	16.6%	17.1%	66.3%
2016-17	16.2%	11.3%	72.5%
2017-18	17.3%	12.6%	70.1%

### Part time FE

	Withdrawal	Partial Success	Completed successfully
2015-16	5.8%	23.6%	70.6%
2016-17	8.9%	13.4%	77.7%
2017-18	7.4%	15.1%	77.5%

### Part time HE

	Withdrawal	Partial Success	Completed successfully
2015-16	6.6%	27.8%	65.5%
2016-17	9.3%	16.1%	74.6%
2017-18	11.2%	8.2%	80.6%

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The table below details financial performance in Financial Periods 2015-16, 2016-17 and 2017-18

	Actual 2015-16	Actual 2016-17	Actual 2017-18
Deficit for the year as a % of total income	(3.8%)	(1.7%)*	(5.3%)**
Deficit for the year as a % of total expenditure	(3.6%)	(1.6%)*	(5.3%)
Staff costs as % of total income (excludes exceptional costs)	67%	65%*	67%
Ratio of Current Assets to Current Liabilities	(0.5)	(0.7)	(0.7)
Days Cash to Total Expenditure	14	35*	15
Debtor Days	33	30	30

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

\*\*See Statement of Comprehensive Income (page 34)

## 16 Financial Strategy

As a result of the college sector's reclassification as a Central Government Department, the college's Financial Strategy is to:

- Generate sufficient cash surplus to meet the SFC loan repayment obligations.
- Gift aid any cash surpluses over and above that required to repay the SFC loan to The Scottish Colleges Foundation.
- Utilise the contribution from commercial and project activities for re-investment in the College infrastructure.
- Secure efficiencies across support and curriculum areas through continued delivery of shared services and joint provision with West Lothian Council.
- Ensure sufficient working capital to meet liabilities.

During 2017-18 the College:

- Generated sufficient cash surplus to meet the SFC loan repayment obligations.
- Utilised the contribution from commercial activities for re-investment in the College infrastructure.
- Secured efficiencies through continued delivery of shared services with West Lothian Council.
- Ensured sufficient working capital to meet liabilities.

## 17 Nature, Objectives and Strategies

The Board present its report and the audited financial statements for the year ended 31 July 2018. 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 (FE/HE, SORP) and with the Government Financial Reporting Manual (FReM).

## 18 Scope of the Financial Statements

The Financial Statements cover all activities of the College.

## 19 Financial Position

### Financial Results for the year ended 31 July 2018

The College generated a deficit before other gains and losses in the year of £939,000 (2017 - deficit of £277,000), with total comprehensive income surplus of £1,712,000 (2017 – surplus of £2,868,000). The total comprehensive income in 2017 included an unrealised surplus on revaluation of assets of £2,221,000. The total comprehensive income in 2018 recorded an actuarial gain in respect of pension funds of £2,651,000 (2017 – gain of £924,000). After

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transfer of £299,000 from the revaluation reserve, the cumulative deficit on the Income and Expenditure account decreased by £2,011,000 from £11,273,000 deficit to £9,262,000 deficit.

The cumulative deficit at the year-end comprised £153,000 for holiday pay accrual, £2,527,000 for voluntary agreed Private Finance Initiative (PFI) termination loan, £3,688,000 for early retirement provisions, £2,783,000 for defined benefit pension obligations and £111,000 for trading activities (see Note 16).

The College is reporting net total liabilities of £3,121,000 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.

<b>Table of cash budget for priorities (CBP) spend</b>		
	Year Ended 31 July 2018	Year Ended 31 July 2017
<b>Revenue</b>	£'000	£'000
2016-17 Pay Award	-	33
<b>Total impact on operating position</b>	<b>-</b>	<b>33</b>
<b>Capital</b>		
Loan repayments	158	158
Early retirement provision payments	32	-
<b>Total Capital</b>	<b>190</b>	<b>158</b>
<b>Total cash budget for priorities spend</b>	<b>190</b>	<b>191</b>

The 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.

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### Adjusted Operating Position

The Statement of Comprehensive Income (SOCl) 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 FE/HE SORP. The adjusted operating position is therefore designed to smooth any volatility in reported results arising from Financial Reporting Standard (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	2017-18 £'000	2016-17 (Restated) £'000
Deficit before other gains and losses (FE/HE SORP basis)		(939)	(277)
Add back:			
- Depreciation (net of deferred capital grant)	1	343	199
- Non-cash pension adjustments for the Lothian Pension Fund	2	848	645
Deduct:			
- CBP allocated to loan repayments	3	158	158
- CBP allocated to Early Retirement payments	4	32	-
- Balance of payments to Early Retirement Provision (ERP)	4	63	107
Adjusted operating (deficit) / surplus		(1)	302

**Note 1:** Depreciation is a non-cash item and is therefore excluded when calculating the adjusted cash operating position.

**Note 2:** The adjustments to the pensions charge represent the non-cash element of service cost (ie including the present value of projected benefits resulting from the employee service in the current year) less cash contributions paid.

**Note 3:** CBP is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted.

**Note 4:** Cash payments in respect of the ERP are higher than the related interest charge included in costs. The balance of the amount paid is therefore adjusted with part of this being allocated against CBP.

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## 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 Office for National Statistics (ONS) reclassification the College is only able to hold minimum cash reserves. At the end of 2017-18 current assets: current liabilities were 0.6 and days cash to total expenditure was 15 days reflecting the ONS requirement. Targets for 2018-19 are 14 days cash to total expenditure and current assets: current liabilities 0.7.

## Creditor Payment Policy

The College complies with the Confederation of British Industry (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 proportion of year-end creditors to the aggregate invoiced amounts during the year was 8%. 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 10 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.

## 20 Post-Balance Sheet Events

There are no post-balance sheet events.

## 21 Review of Resource outturn for year ended 31 March 2018

Following the reclassification of colleges as public bodies on 1 April 2014, the College has been required to comply with government accounting and budgeting rules on a fiscal year basis (ie to the end of March). The college is given a revenue resource budget (RDEL) and a capital resource budget (CDEL) and must account for this budget on a fiscal year basis. The resource budgets and final outturn for 2017-18 (1 April 2017-31 March 2018) are outlined below:

	RDEL £'000	CDEL £'000
Resource budget for year ended 31 March 2018	13,707	653
Expenditure against resource budget	13,786	653
Net (overspend) / underspend/ against budget	(79)	-

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In addition, the college received a non-cash budget from the government to cover depreciation costs. It should be noted that the figures in the table above have not been audited.

### **22 Climate Change (Scotland) Act 2009**

The College complied with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009. During 2017-18 the College participated in the College Energy Efficiency Pathfinder (CEEP) project and undertook a programme of works which is expected to save 17 tonnes of carbon carbon per annum

### **23 Human Rights, Anti-Corruption and Anti-Bribery**

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

### **24 Future Performance**

The College's Curriculum Strategy identifies key target groups by committing to:

- implementing the Developing the Young Workforce agenda through increasing the number of Science, Technology, Engineering and Mathematics (STEM)-focused Foundation and Modern Apprenticeships.
- maintaining and extending employer partnerships that inform portfolio planning and course design to better equip learners with essential knowledge and employability skills through contextualised learning, real training and work experience opportunities.
- improving life chances by increasing the volume of learners in the most deprived 10% postcode areas in West Lothian.
- increasing the number of Associate Student places and developing further articulation routes that enable credit transfer for Higher National Certificates (HNCs) and Higher National Diplomas (HNDs) for advanced standing into years 2 or 3 of university degrees.
- increasing the volume and successful completion of courses for care experienced learners by promoting opportunities and raising aspirations and successful outcomes to potential students.
- working with West Lothian Community Planning Partnership, support increasing numbers of unemployed people at stages 2, 3 and 4 of the strategic skills pipeline to develop employability skills to enable them to get a job and/or train for a career.
- engaging with Equalities groups, including the Equality Challenge Unit and EQUATE to improve gender balance and ensure appropriate support for the participation of groups currently experiencing inequalities in vocational education including specifically disabled people, young people who are care experienced, people from black and ethnic minorities and others with additional support needs.
- supporting upskilling of the working population of West Lothian through provision of work based learning and through an accessible, vocationally relevant part-time portfolio.

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- providing high quality English language provision for ESOL learners to enable participation and integration in Scottish life.

The Performance Report is approved by the Principal on 11 December 2018.

**Jackie Galbraith**  
**Principal**



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### ACCOUNTABILITY REPORT

#### 1. Board of Governors Report

The members who served on the Board during the period were as follows:-

<b>Name</b>	<b>Status</b>	<b>Job Title</b>
Alex Linkston	Regional Chair	Chair, Forth Valley Health Board
Simon Ashpool	Board member	Learning Manager, Crisis UK
Thomas Bates (appointed 23.08.17)	Board member	Director, Lareine Engineering Ltd.
Sue Cook	Chair, Learning and Teaching Committee; Vice Chair	Self-employed consultant
Frank Gribben	Board member	Strategic Project Director, University of Glasgow
Graham Hope	Chair, Audit Committee	Chief Executive, West Lothian Council
Mhairi Harrington*	Board member	Principal and Chief Executive, West Lothian College
Iain McIntosh	Board member	Leadership Consultant, Edinburgh Napier University
Morag McKelvie	Chair, Finance and General Purposes Committee	Vice President Human Resources, iQor
Colin Miller	Board member	Partner, DWF solicitors
Richard Lockhart	Board member	Associate Director, Scottish Futures Trust
Moira Niven	Board member	Retired
Claire Probert (appointed 23.08.17)	Board member	Associate Director, Grant Thornton LLP
Norman Ross	Board member	Retired; director Kilmorack Consulting Ltd
Angela Bell	Board member	Support Staff member
Alan Morton	Board member	Teaching Staff member
Sarah Kerr* (resigned 31.03.18)	Board member	Student Association President.
Lorna Reid*	Board member	Student Association Vice President

**\*Post holders have changed post year-end.**

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### Board of Governors

Name	Possible Attendance	Actual Attendance
Alex Linkston	4	4
Simon Ashpool	4	3
Thomas Bates	4	2
Sue Cook	4	3
Frank Gribben	4	1
Mhairi Harrington	4	4
Graham Hope	4	4
Richard Lockhart	4	3
Iain McIntosh	4	3
Morag McKelvie	4	4
Colin Miller	4	3
Moira Niven	4	4
Claire Probert	3	2
Norman Ross	4	3
Angela Bell	4	2
Alan Morton	4	4
Sarah Kerr	3	2
Lorna Reid	4	2

### Audit Committee

Name	Possible Attendance	Actual Attendance
Graham Hope (Chair)	4	4
Simon Ashpool	4	4
Sue Cook	4	4
Colin Millar	3	3
Norman Ross	4	3

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### Finance and General Purposes Committee

Name	Possible Attendance	Actual Attendance
Morag McKelvie (Chair)	4	4
Frank Gribben	4	3
Alex Linkston	4	4
Richard Lockhart	4	4
Claire Probert	3	2
Moira Niven	4	4
Mhairi Harrington	4	4
Angela Bell	4	2

### Learning and Teaching Committee

Name	Possible Attendance	Actual Attendance
Sue Cook (Chair)	4	4
Thomas Bates	3	3
Mhairi Harrington	4	3
Iain McIntosh	4	2
Colin Miller	1	1
Alan Morton	3	3
Sarah Kerr	3	2
Lorna Reid	4	4

### Remuneration Committee

Name	Possible Attendance	Actual Attendance
Alex Linkston	3	3
Sue Cook	3	2
Graham Hope	3	3
Morag McKelvie	3	3

### 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

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project and procurement procedures. The related party transactions due to/by the College for the year ended 31 July 2018 and the amounts outstanding at this date are disclosed in note 24.

### **Statement to Auditors**

In accordance with legislation, the Board of Governors certify that:

- so far as we are 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.

## 1. 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 (FRoM) 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;

## West Lothian College

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- 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.

### **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 going forward. 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.

# West Lothian College

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## 2. Corporate Governance Statement

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary 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. Throughout the period ended 31 July 2018, the College has been in compliance with all the Code provisions set out in the 2016 Code of Good Governance for Scotland's Colleges and the Government's Scottish Public Finance Manual.

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

The Board of 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 2018 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.

During 2017-18 the College suffered a malware attack. Immediate action was taken to minimize the impact of the attack and specific measures such as strengthening the College's anti-virus software and tightening controls around guest Wi-Fi access were taken to mitigate against future attacks.

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 whom 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.

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.

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. There are several sub-committees, including a Finance and General Purposes Committee, a Learning and Teaching Committee, a Remuneration Committee, an Audit Committee and a Nominations Committee. All of these Committees are formally constituted with terms of reference. The Finance and General Purposes Committee 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 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

## West Lothian College

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necessary, she is not a member of the Committee. 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 identify 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.

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.

The Performance Report is approved by the new Principal. The previous Principal, Mhairi Harrington, left the College on 3 August 2018 and the new Principal, Jackie Galbraith, took up post on 6 August 2018. The new Principal has received full assurances over the Governance arrangements in place at the College from the Senior Team for the year ended 31 July 2018.

The Board of Governors considers that the College has adequate resources to continue in operational existence for the foreseeable future.

### **Statement on System of Internal Control**

We, the Board of Governors are aware of the need for effective internal control, and acknowledge our responsibility for the system for such control operated by West Lothian College. 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.

Our 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. 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.

The Board has reviewed the effectiveness of the College's system of internal control as follows:

- The College's risk management framework has been reviewed, including considering management's review of operational risks and the Audit Committee's review of strategic 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



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internal controls are in place. The Board committees in place and their main roles are outlined on pages 17-22.

- Internal audit reports have been received on a range of areas within the College. The internal auditors in their annual statement have concluded that the College operates adequate and effective internal control systems.
- 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.

The College also 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;
- financial regulations, which identify policy and set up a control system within which management can delegate authority whilst informing staff of correct financial procedures.

### 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.

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 2018.

# West Lothian College

## 1. Remuneration And Staff Report (FRoM, Section 5, paras 5.3.15 to 5.3.27)

### 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<sup>1</sup>

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

Name	12 months ended 31 July 2018			12 months ended 31 July 2017		
	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
Mhairi Harrington*	110 - 115	0	110-115	105 - 110	10-15	115-120
Simon Earp	65 - 70	5-10	70-75	20 - 25	0-5	20-25
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

\*Mhairi Harrington left the pension scheme at the end of 2016-17 and left the College on 3 August 2018

### Median Remuneration

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

Based on the 12 month equivalent figures above, the banded remuneration of the highest paid official in the organisation in the financial year 2017-18 was £110,000-£115,000 (2016-17 £110,000-£115,000). This was 3.7 times (2016-17 3.7 times (no change)) the median remuneration of the workforce which was £30,000-£35,000 (2016-17 £30,000-£35,000 (no change)).

<sup>1</sup> Note:

- The salaries in the above table represent the amount earned in the financial year
- 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.
- The details in this table are subject to audit

## West Lothian College

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### 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 July 2018 £'000	Accrued lump sum at pension age at 31 July 2018 £'000	Real increase in pension 1 August 2017 to 31 July 2018 £'000	Real increase in lump sum 1 August 2017 to 31 July 2018 £'000
Mhairi Harrington-Principal	43	128	1	3
Simon Earp – Vice Principal	12	12	<2 years' service, no pension entitlement	N/A
George Hotchkiss- Vice Principal	20	60	1	2
Jennifer McLaren- Vice Principal	10	0	3	0

Name	CETV at 31 July 2018 £'000	CETV at 31 July 2017 £'000	Real increase in CETV £'000
Mhairi Harrington-Principal	1,000	955	14
Simon Earp – Vice Principal	16	5	11
George Hotchkiss- Vice Principal	466	430	21
Jennifer McLaren- Vice Principal	153	135	17

### 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.

## West Lothian College

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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**

No employees left under voluntary exit terms during the year.

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### STAFF REPORT

#### Salaries and Related costs

	<b>2018</b> <b>Directly</b> <b>employed staff</b> <b>£'000</b>	<b>2018</b> <b>Seconded and</b> <b>agency staff</b> <b>£'000</b>	<b>2018</b> <b>Total</b> <b>£'000</b>	2017 Total £'000
<b>Wages and salaries</b>	8,958	0	8,958	<b>8,246</b>
<b>Social security costs</b>	848	0	848	<b>775</b>
<b>Other pension costs</b>	2,109	0	2,109	<b>1,902</b>
<b>Restructuring Costs</b>	7	0	7	<b>10</b>
<b>Total</b>	11,922	0	11,922	<b>10,933</b>
<b>Average number of FTE</b>	292	0	292	<b>272</b>

The college employed 253 females and 132 males during 2017-18 (headcount).

#### 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 2017- 31 March 2018.

#### Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
<b>9</b>	<b>8.4</b>

#### Percentage of time spend on facility time

Percentage:	Number of employees:
0%	0
1%-50%	9
51%-99%	0
100%	0

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### Percentage of pay bill spend on facility time

Total cost of facility time:	17,428
Total pay bill:	10,884,759
Percentage of the total pay bill spend on facility time:	0.2%

### Paid trade union activities

Time spend on trade union activities as a percentage of total paid facility time hours:	<b>100%</b>
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### Equal Opportunities

West Lothian College has published its Equality Mainstreaming Report 2017-20, which outlines how we will meet our General and Public Sector Equality Duties and informs and guides decision making and policy reviews. We have a range of policies which ensure that staff, learners 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.

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

Policies and procedures, work practices and terms and conditions of employment are continuously reviewed and equality impact assessed to ensure compliance with legislation and identified best practice.

The College considers all applications for a college course place from all members of the community in respect of the qualifications and skills necessary to meet the entry requirements of the course applied for.

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

Approved by the members of the Board on 11 December 2018 and signed on its behalf by:

**Alex Linkston**  
Chair

**Jackie Galbraith**  
Principal

## **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**

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

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of West Lothian College for the year ended 31 July 2018 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, and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In 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 2018 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **Basis of opinion**

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

#### **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.

#### **Responsibilities of the Board of Governors for the financial statements**

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of 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 and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

## **Report on regularity of expenditure and income**

### **Opinion on regularity**

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

### **Responsibilities for regularity**

The Board of 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 prescribed matters

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

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

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

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

### Matters on which we are required to report by exception

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

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

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

We have nothing to report in respect of these matters.

Lucy Nutley

For and on behalf of Mazars LLP

Apex 2

97 Haymarket Terrace

Edinburgh

EH12 5HD

December 2018

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

## West Lothian College

### STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	<i>Year Ended 31 July 2018 £'000</i>	<i>Year Ended 31 July 2017 £'000</i>
<b>Income</b>			
SFC grants	2	12,647	13,625
Tuition fees and education contracts	3	3,140	3,020
Other income	4	2,049	1,971
Investment income	5	1	2
<b>Total Income</b>		<b>17,837</b>	18,618
<b>Expenditure</b>			
Staff Costs	6	11,922	10,933
Other operating expenses	7	5,821	5,038
Depreciation	10	800	789
Exceptional impairment loss	-	-	1,921
Interest payable	8	233	214
<b>Total Expenditure</b>		<b>18,776</b>	18,895
<b>Deficit before tax</b>		<b>(939)</b>	(277)
Taxation	9	-	-
<b>Deficit for the year</b>		<b>(939)</b>	(277)
Unrealised surplus on revaluation of assets		-	2,221
Actuarial gain /(loss) in respect of pension schemes		2,651	924
<b>Total comprehensive income for the year</b>		<b>1,712</b>	2,868
<b>Represented by:</b>			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		1,712	2,868
		<b>1,712</b>	2,868

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.

## West Lothian College

### STATEMENT OF CHANGES IN RESERVES

	<i>Income and Expenditure Account £'000</i>	<i>Revaluation Reserve £'000</i>	<i>Total</i>
<b>Balance at 31 July 2016</b>	<b>(12,109)</b>	<b>4,408</b>	<b>(7,701)</b>
Deficit from statement of comprehensive income	(277)	-	(277)
Other comprehensive income	924	2,221	3,145
Transfers between revaluation reserve and income and expenditure account	189	(189)	-
<b>Total comprehensive income for the year</b>	<b>836</b>	<b>2,032</b>	<b>2,868</b>
<b>Balance at 31 July 2017</b>	<b>(11,273)</b>	<b>6,440</b>	<b>(4,833)</b>
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)	-
<b>Total comprehensive income for the year</b>	<b>2,011</b>	<b>(299)</b>	<b>1,712</b>
<b>Balance at 31 July 2018</b>	<b>(9,262)</b>	<b>6,141</b>	<b>(3,121)</b>

## West Lothian College

### BALANCE SHEET AS AT 31 JULY

	<i>Notes</i>	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Non-Current Assets</b>			
Fixed Assets	10	<b>18,860</b>	19,660
<b>Current Assets</b>			
Trade and other receivables	11	<b>864</b>	559
Cash and cash equivalents	17	<b>729</b>	1,530
		<b>1,593</b>	2,089
<b>Less: Creditors;</b> amounts falling due within one year	12	<b>(2,428)</b>	(2,923)
<b>Net Current Liabilities</b>		<b>(835)</b>	(834)
<b>Total Assets less Current Liabilities</b>		<b>18,025</b>	18,826
Creditors: amounts falling due after more than one year	13	<b>(14,675)</b>	(15,290)
<b>Provisions</b>			
Defined benefit obligations	15	<b>(2,783)</b>	(4,416)
Other provisions	15	<b>(3,688)</b>	(3,953)
<b>Total Net Liabilities</b>		<b>(3,121)</b>	(4,833)
<b>Unrestricted Reserves</b>			
Income and expenditure account	16	<b>(9,262)</b>	(11,273)
Revaluation reserve		<b>6,141</b>	6,440
<b>Total Reserves</b>		<b>(3,121)</b>	(4,833)

The financial statements on pages 34 to 61 were approved by the Board of Governors  
On 11 December 2018 and signed on its behalf on that date by:

**Alex Linkston**  
Chair

**Jackie Galbraith**  
Principal

## West Lothian College

### STATEMENT OF CASH FLOWS

	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
<b>Cash flow from operating activities</b>		
Deficit for the year	(939)	(277)
<b>Adjustment for non-cash items</b>		
Depreciation	800	789
Exceptional Impairment Loss	-	1,921
Deferred capital grants released to income	(457)	(2,511)
(Increase)/Decrease in debtors	(305)	218
(Decrease)/Increase in creditors due within one year	(495)	413
(Decrease) in provisions	(199)	(200)
Pension costs less contributions payable	719	524
<b>Adjustment for investing or financing activities</b>		
Investment income	(1)	(2)
Interest payable	233	214
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(644)</b>	<b>1,089</b>
<b>Cash flows from investing activities</b>		
Interest received	1	2
Capital grant receipts	-	89
Payments made to acquire fixed assets	-	(89)
	<b>1</b>	<b>2</b>
<b>Cash flows from financing activities</b>		
Interest paid	-	-
Repayments of amounts borrowed	(158)	(158)
	<b>(158)</b>	<b>(158)</b>
<b>(Decrease) / increase in cash and cash equivalents in the year</b>	<b>(801)</b>	<b>933</b>
Cash and cash equivalents at start of the year	1,530	597
Cash and cash equivalents at end of the year	729	1,530

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2018

### 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 2017-18 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.

## West Lothian College

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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: -



## West Lothian College

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Fixed Plant  
Equipment

5-29 years  
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 minimum 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.

## West Lothian College

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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

## West Lothian College

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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.

## West Lothian College

### 2 SFC GRANTS

	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
SFC Teaching & fee waiver grant	10,092	9,823
Childcare funds	685	655
Release of deferred capital grants (SFC)	457	2,511
Other SFC Grants	1,413	636
	<b>12,647</b>	<b>13,625</b>

### 3 TUITION FEES AND EDUCATION CONTRACTS

	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
FE Fees - UK	885	852
HE Fees - UK	1,553	1,552
SDS contracts	702	616
	<b>3,140</b>	<b>3,020</b>

### 4 OTHER INCOME

	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
Residence and catering	311	326
European funds	249	128
Other income generating activities	1,216	1,203
Other income	273	314
	<b>2,049</b>	<b>1,971</b>

### 5 INVESTMENT INCOME

	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
Other Interest Receivable	1	2

## West Lothian College

### 6 STAFF COSTS

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

	<b>Year Ended 31 July 2018 FTE</b>	<b>Year Ended 31 July 2017 FTE</b>
Teaching departments	169	160
Teaching support services	32	27
Administration	38	35
Premises	23	22
Catering and residences	9	9
Other Income-generating activities	18	16
Other staff	3	3
	<b>292</b>	<b>272</b>
<b>Analysed as:</b>		
Staff on permanent contracts	258	245
Staff on temporary contracts	34	27
	<b>292</b>	<b>272</b>

	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
<b>Staff Costs for the above persons</b>		
Wages and salaries	8,958	8,246
Social security costs	848	775
Other pension costs	2,109	1,902
Restructuring costs	7	10
	<b>11,922</b>	<b>10,933</b>
<b>Analysed as:</b>		
Staff on permanent contracts	9,777	9,255
Staff on temporary contracts	1,419	1,144
Pension charge less contributions paid	719	524
Restructuring costs	7	10
	<b>11,922</b>	<b>10,933</b>

## West Lothian College

<b>Analysed as:</b>	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
Teaching departments	6,932	6,482
Teaching support services	979	946
Administration	1,544	1,447
Premises	616	576
Catering and residences	209	192
Other income-generating activities	731	661
Other staff	185	95
Pension charge less contributions paid	719	524
Restructuring costs	7	10
	<b>11,922</b>	<b>10,933</b>

### 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

The number of key management personnel including the Accounting Officer was:

<b>2018</b>	<b>2017</b>
<b>No.</b>	<b>No.</b>
<b>4</b>	<b>4</b>

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:

	<b>Key management personnel</b>		<b>Other staff</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	<b>3</b>	<b>2</b>	-	-
£110,001 to £120,000	<b>1</b>	<b>1</b>	-	-
	<b>4</b>	<b>3</b>	-	-

## West Lothian College

Key management personnel emoluments are made up as follows:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Salaries	<b>316</b>	284
Benefits in kind	-	-
	<b>316</b>	284
Pension contributions	<b>37</b>	50
Total emoluments	<b>353</b>	334

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:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Salaries	<b>112</b>	110
Benefits in kind	-	-
	<b>112</b>	110
Pension contributions	-	19
Total emoluments	<b>112</b>	129

### Compensation for loss of office paid to former key management personnel

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Compensation paid to former post-holders	-	-
Estimated value of other benefits, including provision for pension benefits	-	-

### Overseas Activities

The following costs were incurred during 2017-18 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	52,375	-	52,375

## West Lothian College

### 7 OTHER OPERATING EXPENSES

	<i>Year Ended 31 July 2018 £'000</i>	<i>Year Ended 31 July 2017 £'000</i>
Teaching departments	673	603
Teaching support services	234	270
Administration	1,435	1,353
Premises	1,701	1,233
Catering	179	170
Other income generating activities	473	494
Overspend on student support funds	15	-
Childcare fund costs	685	655
Other	426	260
	<b>5,821</b>	<b>5,038</b>

Other Operating Expenses (Administration) include:

Auditors Remuneration (including irrecoverable VAT)		
- Internal audit	21	33
- External audit	14	13
Other services provided by:		
- Internal audit	-	-
- External audit	-	-
-		
	<b>35</b>	<b>46</b>

### 8 INTEREST PAYABLE

	<i>Year Ended 31 July 2018 £'000</i>	<i>Year Ended 31 July 2017 £'000</i>
On bank loans, overdrafts and other loans	-	-
Pension finance costs	233	214
	<b>233</b>	<b>214</b>

### 9 TAXATION

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



## West Lothian College

### 10 FIXED ASSETS

	<i>Land &amp; Buildings Freehold £'000</i>	<i>Fixed Plant £'000</i>	<i>Equipment £'000</i>	<i>Total £'000</i>
<b>Cost or valuation</b>				
At 31 July 2017	18,656	1,798	66	20,520
Additions	-	-	-	-
Disposals	(327)	-	-	(327)
<b>At 31 July 2018</b>	<b>18,329</b>	<b>1,798</b>	<b>66</b>	<b>20,193</b>
<b>Depreciation</b>				
At 31 July 2017	841	12	7	860
Charge for Period	594	186	20	800
Disposals	(327)	-	-	(327)
<b>At 31 July 2018</b>	<b>1,108</b>	<b>198</b>	<b>27</b>	<b>1,333</b>
<b>Net Book Value At 31 July 2018</b>	<b>17,221</b>	<b>1,600</b>	<b>39</b>	<b>18,860</b>
Net Book Value At 31 July 2017	17,815	1,786	59	19,660
<b>Financed by: Capital Grant</b>	<b>17,221</b>	<b>1,600</b>	<b>39</b>	<b>18,860</b>

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. 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 £16,151,000 (2017: £16,709,000).

## West Lothian College

### 11 TRADE AND OTHER RECOVERABLES

	<i>Year Ended 31 July 2018 £'000</i>	<i>Year Ended 31 July 2017 £'000</i>
Trade Debtors	620	328
European Funding	7	-
Prepayments and accrued income	177	171
Amounts Owed by SFC	60	60
	<b>864</b>	<b>559</b>

### 12 CREDITORS: Amounts falling due within one year

	<i>Year Ended 31 July 2018 £'000</i>	<i>Year Ended 31 July 2017 £'000</i>
Trade Creditors	526	437
Taxation and Social Security	399	383
Accruals and Deferred income	857	554
Deferred Income – Deferred capital grant < 1 Year	457	457
Deferred Income – SFC capital grants	12	5
Deferred Income – SFC revenue grants	6	870
Amounts Owed to SFC	158	158
Unspent Student Funds	13	59
	<b>2,428</b>	<b>2,923</b>

### 13 CREDITORS: Amounts falling due after one year

	<i>Year Ended 31 July 2018 £'000</i>	<i>Year Ended 31 July 2017 £'000</i>
Amounts Owed to SFC	2,369	2,527
Deferred Income – SFC Capital grants	12,306	12,763
	<b>14,675</b>	<b>15,290</b>

## West Lothian College

### 14 MATURITY OF DEBT

SFC Loan is repayable as follows:

	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
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	1,579	1,737
	<b>2,527</b>	<b>2,685</b>

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 2018 the amount outstanding was £2,526,992. 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

	<b>Defined Benefit Obligations</b>	<b>Early Retirement Provision</b>	<b>Other Provision</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 August 2017	4,416	3,953	-	<b>8,369</b>
Expenditure in the period	(673)	(199)	-	<b>(872)</b>
Other movements in period	(960)	(66)	-	<b>(1,026)</b>
<b>At 31 July 2018</b>	<b>2,783</b>	<b>3,688</b>	<b>-</b>	<b>6,471</b>

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 2018.

## West Lothian College

### 16 RESERVES

#### Analysis of income and expenditure account

	<i>I&amp;E Account Trading Activities</i>	<i>I&amp;E Account Holiday Pay</i>	<i>I&amp;E Account PFI Loan</i>	<i>I&amp;E Account Early Retiremnt</i>	<i>I&amp;E Account Defined Benefit Pension</i>	<i>Total</i>
	£'000	£,000	£'000	£'000	£'000	£'000
At 31 July 2017	(82)	(137)	(2,685)	(3,953)	(4,416)	(11,273)
Total comprehensive income for the year (excluding revaluation)	29	(16)	-	66	1,633	1,712
Transfer from Revaluation Reserve	299	-	-	-	-	299
Repayments of PFI loan	(158)		158	-	-	-
Payments for early retirement	(199)	-		199	-	-
<b>At 31 July 2018</b>	<b>(111)</b>	<b>(153)</b>	<b>(2,527)</b>	<b>(3,688)</b>	<b>(2,783)</b>	<b>(9,262)</b>

### 17 CASH AND CASH EQUIVALENTS

	<i>At 1 August 2017 £'000</i>	<i>Cash Flows £'000</i>	<i>Other £'000</i>	<i>At 31 July 2018 £'000</i>
Cash	1,530	(801)	-	729
Debt due within 1 year	(158)	158	(158)	(158)
Debt due after 1 year	(2,527)	-	158	(2,369)
	<b>(1,155)</b>	<b>(643)</b>	<b>-</b>	<b>(1,798)</b>

## West Lothian College

### 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).

<b>Total pension cost for the period</b>	<b>Year Ended 31 July 2018 £'000</b>	<b>Year Ended 31 July 2017 £'000</b>
STSS contributions paid	717	708
LPF Pension scheme: Contributions paid	673	670
FRS 102 (28) charge	719	524
Charge to the Statement of Comprehensive Income	1,392	1,194
<b>Total Pension Cost for the period within staff costs</b>	<b>2,109</b>	<b>1,902</b>

Contributions amounting to £120,000 (2017 £113,000) 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.

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 2018 were £887,000 and employees' contributions totalled £214,000. The agreed contribution rates for future years for the employer are 18.8% from 1<sup>st</sup> April 2018, 19.3% from 1<sup>st</sup> April 2019 and 19.8% from 1<sup>st</sup> April 2020. For employees, contribution rates range from 5.5% to 12.0% depending on salary.

## West Lothian College

### Principal Actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 31 July 2018 by a qualified independent actuary.

	<b>At 31 July 2018</b>	<b>At 31 July 2017</b>
Rate of increase in salaries	<b>4.1%</b>	4.5%
Future pensions increases	<b>2.4%</b>	2.5%
Discount rate for scheme liabilities	<b>2.8%</b>	2.7%
Inflation assumption (CPI)	<b>2.4%</b>	2.4%
Commutation of pensions – pre April 2009	<b>50%</b>	50%
Commutation of pensions – post April 2009	<b>75%</b>	75%

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

	<b>Males</b>	<b>Females</b>
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:

	<b>Long term rate of return</b>	<b>Fair Value at 31 July 2018 £'000</b>	<b>Long term rate of return</b>	<b>Fair Value at 31 July 2017 £'000</b>
Equities	<b>2.8%</b>	<b>16,106</b>	2.7%	15,572
Bonds	<b>2.8%</b>	<b>2,092</b>	2.7%	2,396
Property	<b>2.8%</b>	<b>1,464</b>	2.7%	1,198
Cash	<b>2.8%</b>	<b>1,255</b>	2.7%	798
<b>Total fair value of employer assets</b>		<b>20,917</b>		19,964
<b>Actual return on employer assets</b>		<b>461</b>		2,116

## West Lothian College

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

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
Fair value of employer assets	20,917	19,964
Present value of funded liabilities	(23,700)	(24,380)
<b>Net Pension Liability</b>	<b>(2,783)</b>	<b>(4,416)</b>

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

	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
<b>Amounts included in staff costs</b>		
Current service cost	1,392	1,194
Past service cost	-	-
<b>Total</b>	<b>1,392</b>	<b>1,194</b>

<b>Amounts included in Pension Costs</b>		
Net pension costs	129	121
<b>Total</b>	<b>129</b>	<b>121</b>

<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension assets	(84)	1.696
Change in demographic assumptions	(26)	-
Change in financial assumptions	1,385	-
Other experience	1,206	(668)
<b>Total</b>	<b>2,481</b>	<b>1,028</b>

## West Lothian College

Movement in net defined benefit (liability) during year	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
<b>Net defined benefit (liability) at start of period</b>	<b>(4,416)</b>	(4,799)
Movement in period:		
Current service costs	(1,392)	(1,194)
Employer contributions	673	670
Net interest on the defined liability	(129)	(121)
Actuarial gain or loss	2,481	1,028
<b>Net defined benefit (liability) at end of period</b>	<b>(2,783)</b>	(4,416)

### Asset and Liability Reconciliation

Changes in fair value of plan assets	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
<b>Fair value of plan assets at start of period</b>	<b>19,964</b>	17,188
Interest on plan assets	545	420
Return on plan assets	(84)	1,696
Employer contributions	673	670
Contributions by plan participants	214	202
Benefits paid	(395)	(212)
<b>Fair value of plan assets at end of period</b>	<b>20,917</b>	19,964

Changes in the present value of defined benefit obligations	Year Ended 31 July 2018 £'000	Year Ended 31 July 2017 £'000
<b>Defined benefit obligation at start of period</b>	<b>24,380</b>	21,987
Current service cost	1,392	1,194
Interest cost	674	541
Contributions by plan participants	214	202
Changes in demographic assumptions	26	-
Changes in financial assumptions	(1,385)	668
Other experience	(1,206)	-
Benefits paid	(395)	(212)
<b>Defined benefit obligation at end of period</b>	<b>23,700</b>	24,380



## West Lothian College

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### 19 FINANCIAL ASSETS AND LIABILITIES

#### Financial Assets

Financial assets that are debt instruments measured at amortised cost totalled £645,000 (2017: £388,000) at the balance sheet date. This comprises trade debtors and amounts owed by SFC.

#### Financial Liabilities

Financial liabilities measured at amortised cost totalled £3,923,000 (2017: £3,735,000) 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

	<b>SFC Requirement Per Instance</b>	<b>2018 Number</b>	<b>2018 £Total</b>
Debt write-off	£3,000	-	-
Cash losses	£3,000	-	-
Ex-gratia payments	£1,000	1	1,959
Compensation payments	£5,000	-	-

The ex-gratia payment was approved by the Scottish Funding Council in December 2017

### 21 CAPITAL COMMITMENTS

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

	<b>2018 £000</b>	<b>2017 £000</b>
Committed but not contracted	-	50
Committed and contracted	-	6

The committed not contracted value for 2017 related to the planned purchase of an IT backup and restore solution. The committed and contracted amount related to residual commitments in respect of the extension works to the Skills Workshop and Gym Hall areas completed three years ago.

## West Lothian College

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### 22 LEASE OBLIGATIONS

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

	2018 £'000	2017 £000
Other		
Expiring within one year	23	23
Expiring between one and five years	-	23
Expiring in more than five years	-	-
	23	46

During 2017/18 the College paid £26,000 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
Mr Ian McIntosh	Edinburgh Napier University	Leadership Consultant

## West Lothian College

The value of the transactions due to/by the College for the twelve months ended 31 July 2018, and the amount outstanding at this date was as follows:

Organisation	Year ended 31 July 2018		Year ended 31 July 2017	
	Total Value of Transactions £'000	Balance Outstanding £'000	Total Value of Transactions £'000	Balance Outstanding £'000
<b>Due to WLC</b>				
Lareine Engineering Ltd	1	-	-	-
West Lothian Council	72	28	134	24
Edinburgh Napier University	329	73	352	4
<b>Due by WLC</b>				
University of Edinburgh	2	-	2	-
West Lothian Council	103	11	107	54
Edinburgh Napier University	-	-	2	-

The total expenses paid to or on behalf of the Governors during the year was £967 ; 2 governors (2017: £500 ; 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 £22,532 (2017: £21,000)

## West Lothian College

### 25 FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary £'000	FE Discr'y £'000	EMAs £'000	Other £'000	<b>2017-18 Total £'000</b>	2016-17 Total £'000
Balance b/fwd	59	-	(31)	-	<b>28</b>	25
Allocations received in year	2,532	193	303	195	<b>3,223</b>	3,074
Expenditure	(1,970)	(569)	(299)	(210)	<b>(3,048)</b>	(2,857)
Repaid to SFC	(95)	-	-	-	<b>(95)</b>	(26)
College Contribution	-	-	-	15	<b>15</b>	-
Virements	(513)	376	-	-	<b>(137)</b>	(188)
<b>Balance c/fwd</b>	<b>13</b>	<b>-</b>	<b>(27)</b>	<b>-</b>	<b>(14)</b>	<b>28</b>

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

	<b>2017-18 £'000</b>	2016-17 £'000
Balance b/fwd	-	-
Allocations received in year	<b>548</b>	467
Expenditure	<b>(685)</b>	(655)
College contribution	-	-
Virements	<b>137</b>	188
<b>Balance c/fwd</b>	<b>-</b>	<b>-</b>

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.

## West Lothian College

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### 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 £939,000 for the year ended 31 July 2018. After adjusting for the non-cash allocation provided under government rules, the college shows an 'adjusted' deficit of £749,000 on a Central Government basis.

	<b>2017-18</b>	2016-17
	<b>£'000</b>	£'000
Deficit before other gains and losses (FE/HE SORP basis) for academic year	<b>(939)</b>	(277)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	<b>190</b>	190
Operating deficit on Central Government accounting basis for academic year	<b>(749)</b>	(87)

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 2017-18 SFC Accounts Directions and has been included as required by SFC. It does not form part of the Financial Statements.

#### 2017-18 Accounts direction for Scotland's colleges

- 1 It is the Scottish Funding Council's direction that colleges comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.
- 2 Colleges must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (for assigned colleges).
- 3 Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2017-18 (FReM) where applicable.
- 4 Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2018.
- 5 The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body.
- 6 Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
13 July 2018