

West Lothian College

OPERATING AND FINANCIAL REVIEW FOR THE EIGHT MONTH PERIOD ENDED 31 MARCH 2014

1. West Lothian College

West Lothian is one of thirteen regions identified for the future provision of further education and despite the relatively compact nature of the region obtained this status in recognition of the very strong partnership working and collaborations for efficiency and effectiveness with the local authority and key stakeholders.

Clear priorities have been identified by the Government to address the provision for young people aged 16-19 year olds, those unemployed between 20-24 year olds and those in the workplace who require up skilling.

West Lothian, when compared to the Scottish average, continues to have one of the fastest growing and young populations with the latest 2011 census information showing a population increase higher than that predicted. However with lower skills levels in the workplace, continued lower average weekly earnings, and higher levels of youth unemployment and geographical disadvantage in the west of West Lothian and in pockets of Livingston the area has its social and economic issues.

The College has responded very positively to these challenges by providing and targeting full-time provision for 16-19 year olds, working with those 20-24 year olds wishing to re-train or enter the employment market and continuing to deliver a robust suite of work based learning programmes for employees and businesses.

During 2013-2014 West Lothian College continued to successfully target 16-24 year olds by extending vocational training and employability opportunities with particular increases in preparatory programmes for young learners in need of those options.

We have worked closely with our local partners to ensure that our programmes and opportunities compliment the offering and support provided by others and ensure that we all make a contribution appropriate to the needs of the skills pipeline.

But this commitment to working with young, often poorly engaged learners who can present with demanding behaviours, has not been without its challenges. 16-19 year old male learners in 2012-2013 evidenced particularly high withdrawal rates, the impact of which presented challenges in managing learner retention and WSUMs achievement.

For 2013-2014 considerable support has gone in to specific programmes to improve the retention and achievement. We do not yet have the final performance indicators however early signs have been encouraging.

Capacity building for West Lothian remains the key priority of the College to ensure that all our young people have an appropriate post 16 option which supports them with valid employment prospects and career planning and which meets the wider skills needs of the economy.

The new Regional Outcome Agreement with the Scottish Funding Council underpinned by needs based growth for West Lothian should support that challenge by detailing the actions required to deliver an efficient regional structure, ensure the right learning in the right place, high quality and efficient learning, development of the workforce and sustainability to support the success of our learners.

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West Lothian College continues to contribute to the following priority outcomes:

- West Lothian will benefit from the provision of sustainable post 16 vocational education supported by the efficiencies of shared services and joint provision with West Lothian Council.
- Improve life chances by increasing access for young people aged 16-24 to successfully participate in vocational education and opportunities within the region.
- Increase positive destinations for individuals in the region completing vocational programmes into employment or higher level study.
- Contribute to economic growth and success in West Lothian by increasing the skills levels of individuals employed in the workplace and meeting the needs of employers in West Lothian.

2. Nature, Objectives and Strategies

The Board present its report and the audited financial statements for the eight month period ended 31 March 2014. 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.

3. Legal Status

The corporation was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of conducting as West Lothian College. The College is a registered charity (Scottish Charity Number SC021216) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005.

4. Scope of the Financial Statements

The Financial Statements cover all activities of the College.

5. Vision

The College's vision is:

“To be a high performing and creative College with a regional and national reputation for excellence in demand led learning and skills development”

6. Achievements towards the 2013-2016 Regional Plan and Outcome Agreement

The college made good progress towards the majority of the outcomes, outputs and targets identified in the 2013-2016 Regional Plan and Outcome Agreement.

Highlights

- Recognised for high levels of quality by being awarded 3 stars for Excellence by EFQM (European Framework for Quality Management)
- A team of 40 staff from across the college undertook a full review of all our activities to develop an aspirational improvement plan to be Fit For 2014/2015 and ensure maximum success for our learners
- Increased the college's financial sustainability through year- end negotiations as a result of re classification as a public sector body
- Efficiency gains from shared services with West Lothian Council achieved
- Committed to and investing in major extensions to the college estate to increase the opportunities for high quality learning and skills development in Construction studies , Engineering , Motor Vehicle Studies and Sports and Fitness programmes
- Increased the progression opportunities from West Lothian to Forth Valley and Edinburgh Colleges at HND level
- On track to achieve all of the activity targets set for the College
- Extension of employability programmes and engagement with new employment sectors in engineering, construction, hospitality, travel and tourism and sustained engagement with many other key employment sectors
- 80% of full time enrolments sustained for the 16-24 year old age range
- 89% of learners satisfied with the quality and effectiveness of learning and teaching
- Over 70 students progressed to start university in 2013 with advanced standing
- Associate student places agreed and signed up for schools programmes with Edinburgh Napier University for Computing and Engineering
- Twinning Exchange visit with Cran-Gevrier Vocational College in France extended to Hospitality, Interactive Multimedia and Hairdressing students
- Educational and cultural trip to Barcelona for Photography, Art, Beauty Therapy and Events students successfully repeated
- Fitness, Health and Exercise/ Applied Sport Science students annual work programme at Training Camp Club La Santa
- Two hospitality students completed year-long internships with Gaylord Texan Hotel in Grapevine, Texas and now have been offered placements in the Middle East.
- Motor Vehicle learner took part in BBC 3 Documentary "Slum Survivors" having spent a placement alongside local youngster undertaking apprenticeships in the some of the most deprived communities in the world.
- Maintained UK Buttle Quality Mark recognising our work with young people in care
- Successful appointment of SRC officer bearers and 120 class representatives to ensure learner involvement in the life and work of the college
- Staff wellbeing and industrial relations remain positive with a an agreed pay award in line with public sector pay policy and implementation of the job evaluation outcomes
- Highly successful Commercial activity and College surplus contribution which exceeded target.

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Whilst good progress was made we do not yet have final academic year performance indicators to measure progress against and therefore these will be part of our reporting to the Board in September and will feature in the next OFR.

7. Regional Plan 2014-2017

With the majority of the new Regional structures in place and refinement of the Regional Outcome Agreement process underway, the college has subsequently reviewed its own planning framework to reflect this and harmonise all aims and activities in to one document.

The main planning document is now therefore the Regional Plan for 2014-2017 and this is supported through regional aims, high level priority outcomes, and key outputs for 2014 -2017 which are detailed below.

The specific targets for 2014-2015 are detailed in the full Regional Outcome Agreement and associated tables which are published on the Scottish Funding Council website and reflected in the College's internal monitoring documentation.

Regional Aims 2014-2017

- Excellent learning and skills opportunities which improve the life chances of our young people aged 16-24 through successful participation in vocational education
- Excellent results and economic contribution through increasing the positive destinations of our learners in to employment or higher level study and driving up skills levels in the workplace
- Excellent and sustainable business through partnership working and development of efficiencies and effectiveness of shared services

Regional Priority Outputs 2014-2015

- Successful delivery of 53,665 weighted sums
- Increase proportion of full time delivery for 16-24 year olds to 80%
- Increase the volume of college/school activity for the Senior Phase by 20%
- Increase full time learner success rates for FE and He to minimum 67% and 72% respectively
- Increase learner success on part time programmes to 74%
- Deliver the further efficiency targets through shared services with West Lothian Council
- Complete the capital investment plans for Skills and Sports areas
- Successfully deliver high quality learning and teaching on the approved vocational portfolio of the college and expand to meet economic growth
- Achieve the next level of Excellence from EFQM
- Achieve a confident Annual Engagement Report from Education Scotland

8. Financial Strategy

In October 2010 the UK office of National Statistics (ONS) reclassified incorporated further educational colleges so that they would be treated as part of Central Government for financial budgeting and reporting purposes. The reclassification has to be implemented with effect from financial year 2014-15 (1 April 2014). This has wide implications for the College as its reporting

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and accounting practices need to align with those that apply to Central Government organisations. The key changes are:

- The College will move to an April to March financial year from 1 April 2014.
- All income and expenditure by colleges counts as part of the Scottish Government's own income and expenditure for budgeting purposes.
- All expenditure by colleges (net of income) requires budget cover from within the Scottish Government's own budget limits.
- From 1 April 2014 there is likely to be no scope for colleges to carry forward surpluses to future years.
- From 1 April 2014 colleges will only be able to hold minimum levels of cash.

The Financial Strategy will be revised in light of the impact of the ONS reclassification with any surplus cash reserves being reinvested or transferred to an Arms-Length Charitable Foundation.

9. Performance Indicators

Although the College has challenging post PFI financial commitments, 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 Aims.

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

The table below details performance in Academic Year 2011-12 and 2012-13 and actual for the 8 month period ended 31 March 2014 where available.

	Actual Academic Year 2011-12	Actual Academic Year 2012-13	Actual 8 month period ended 31 March 2014
WSUMs	45,631	44,084	N/A*
Student Retention	92%	93%	N/A*
Staff Attendance	96%	95%	96%
Student Outcomes	84%	83%	N/A*
Early Student Retention	96%	94%	N/A*
Student Achievement Ratio per Unit (SARU)	72%	72%	N/A*

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Learner Enrolments	5,296	5,695	N/A*
Surplus / (Deficit) on continuing operations as a % of total income	4.5%	2.5%	(4.9%)
Surplus / (Deficit) on continuing operations as a % of total expenditure	4.7%	2.5%	(4.7%)
Staff costs as % of total income (excludes exceptional costs)	63%	66%	64
Ratio of Current Assets to Current Liabilities	1.28	1.45	0.88
Days Cash to Total Expenditure	82	88	106
Debtor days	40	40	40

**Not Applicable*

10. Financial Position

Financial Results for the eight month period ended 31 March 2014

The College has recorded an operating deficit of £487,000 for the eight month period ended 31 March 2014 (Academic Year 2012-13 surplus of £300,000). This included a charge of £223,000 for holiday pay accrued but not taken as at 31 March 2014. After movements to other reserve headings the cumulative position on the Income and Expenditure Account (Trading) decreased by from £1,318,000 surplus to £66,000 deficit reflecting the change in Financial Strategy as a result of the ONS reclassification.

As a result of the change in financial year-end the College was required, for the first time, to provide for holiday pay earned but not paid as at 31 March. This amounted to £223,000 as at 31 March 2014 and this has been presented as a separate heading in the reserves note (Note 18). The deficit relating to the early retirement provision has increased from £3,464,000 to £3,704,000. The deficit associated with the voluntary agreed PFI termination has decreased from £4,501,000 to £3,505,000 as the College made an up-front payment of £1 million towards the outstanding balance of the loan with the Scottish Funding Council. The transfer from the pension reserve was £40,000.

The College has adopted FRS17 in full in these financial statements which affects the amounts disclosed in each of the Balance Sheet, Income and Expenditure Account, and Statement of Total Recognised Gains and Losses. The FRS17 pension liability for 2013-14 is £2,819,000 (2012-13 - £1,662,000).

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.

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Treasury Policies and Objectives

The College has a treasury management policy. This defines the College's treasury management activities as 'The management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

This policy will be revised in light of the College's reclassification as a public sector body.

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 Management Team and the Finance and General Purposes Committee. Bank balances are checked on a daily basis and day-to day surplus funds are deposited overnight in a high interest bank account.

Liquidity

The College uses a number of ratios to assess the College's liquidity. The two key ratios are current assets: current liabilities and days cash to total expenditure. However as a result of ONS reclassification the College is only able to hold minimum cash reserves. The College therefore used its cash reserves to make a significant payment towards the loan with SFC and repay the loan in full with Edinburgh City Council. At the end of 2013-14 current assets: current liabilities was 0.92:1 as a result of the up-front loan repayment and days cash to total expenditure was 105 days.

Targets for 2014-15 are 20 days cash to total expenditure and current assets: current liabilities 1.3:1

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 15.2%. 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.

11. Current and Future Developments and Performance

Learner profile

The College to date has enrolled 6151 learners in 2013-14 from a West Lothian working age population of 117,190. Combined participation rates in Further and Higher Education in West Lothian now sit above the Scottish average. The percentage of West Lothian school leavers entering Further Education now sits at 26.7%, a rise of 1.7% on the previous year. Through strong partnership working, the College has been able to make a major contribution to this increase through targeting offers of place to young people.

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The learner profile of the College continues to show a higher percentage, at 60%, of full time female to male learners with approximately 34% of all learner enrolments under the age of 19; although 52% of full time enrolments are under 19 years of age. This is variable across the vocational Centres with many young males in Engineering, Computing, Motor Vehicle and Construction and more mature females in Health and Social Care and Childhood Practice. The College clearly continues to recruit to courses on the basis of ability, experience and aspiration and not on the grounds of gender, age or any other protected characteristic.

Curriculum planning

Vocational opportunities presented by the College are reviewed annually and are offered as credited qualifications from Access and Preparation through to Higher National Diploma and Degree levels. Since 2008, the College has successfully delivered Edinburgh Napier University's BA in Business Management, available through part and full time study.

Courses are offered in:

Health and Social Care and Childhood Practice
Life Sciences, Social Science and Applied Science
Sport and Fitness and Sports Science
Beauty Therapy, Hairdressing and Make-Up Artistry
Computing and Interactive Media
Art and Design
Advertising and PR
Events and Travel and Tourism
Photography
Business and Management Training
Hospitality and Food Preparation
Retail and Distribution
Motor Vehicle
Construction
Carpentry and Joinery
Electrical and Engineering
Core Skills and ESOL
Assisted Programmes

Courses are available for full time, part time, day-release, work based and flexible study, with some community and distance learning also supported.

College/School Partnership

West Lothian enjoys an exceptionally strong College/School Partnership, the overall rationale of which is to enable colleges to help schools in their task of developing the capacities of pupils as outlined in Curriculum for Excellence: to enable them to become successful learners, confident individuals, responsible citizens and effective contributors to society and work. Furthermore, the College/Schools Partnership focuses on partnership working to plan and deliver the Senior Phase of Curriculum for Excellence within the Opportunities for All agenda in supporting young people to progress into a guaranteed positive and sustained post-16 destination in learning, training or employment. The overall school leaver destination results have been one of the successes over the past few years increasing by more than 11% over a six year period.

With a population of approximately 175,990, West Lothian has the youngest and fastest growing population in Scotland. West Lothian is one of only eleven local authorities with predicted increases in school rolls for the next ten years. West Lothian currently has eleven Secondary Schools and sixty six Primary Schools with, to date, 10,933 and 14,931 enrolments respectively. There are 3,500 (approx.) Special Education Needs enrolments with 306 pupils placed in Special Educational provision.

With a general upward trend in schools attainment as at 2013, 97% of S4 students now gain 5 or more SCQF level 3, 83% now gain 5 or more SCQF Level 4 and 38% now gain 5 or more SCQF level 5 qualifications. By the end of S5, 29% of pupils achieve 3 or more Higher passes.

Economic context

A slightly higher proportion of West Lothian residents are economically active (80%) in comparison with Scotland (77%). The economically active rate represents people either in or actively seeking employment out of a working age population of 117,190.

Skills Development Scotland (SDS) SLDR return, however, based on the follow up of young people who left school between the 1 August 2012 and the 31 July 2013, shows of 2,025 recorded leavers in West Lothian just 18.8% went in to employment compared to the Scottish average of 20.4%.

Retail, health and manufacturing are the three largest sectors in West Lothian. West Lothian's industry strengths relative to Scotland are currently in communication, manufacturing, wholesale, retail, construction and transport and storage.

The Scottish Government has identified six industrial sectors which provide particular opportunities for economic growth. West Lothian has a strong presence in food and drink, life sciences and tourism. West Lothian also has key strengths in enabling technologies such as electronics and precision engineering.

A snapshot of the workforce in West Lothian demonstrates that, although the area lags behind the Scottish averages in skills levels of employees, a third of West Lothian's total working age population are qualified to HND and Higher degree level (SVQ 4 equivalent and above), comparative to the Scottish national level (38.5%).

The projected population for West Lothian by 2024 is 196,000 – the fastest growing area in Scotland. The West Lothian population is the youngest in Scotland, with an average age of 38 compared with 40 across Scotland.

These factors are all relevant to the future challenge of increasing productivity in the workplace, a key issue for the economy of Scotland in a global landscape.

Whilst the local area has a vibrant and expanding economy, there are indicators from recent unemployment figures and projections that West Lothian also faces significant challenges; particularly in addressing the pockets of deprivation still prevalent in some of the more rural areas in the west of West Lothian and in some parts of Livingston. There will be now, more than ever, the need to drive up the skills levels of the employment base. This is to ensure a high value knowledge economy which maximises levels of participation and productivity in the workplace. With qualification levels among West Lothian's population and average weekly earnings lower than the Scottish average, West Lothian's community planning partners face key challenges to redress these balances.

Whilst the College is widely acknowledged as being successful, it has a challenging local economic context in terms of demand, which the College, despite a welcome increase in its baseline capped level of funding for 2014-15, still does not meet.

However, to enable its contribution to economic recovery and sustainable growth, the College's outcomes aim to drive up participation in learning and skills development and increase the qualification attainment levels of learners.

12. Future Developments

In 2013-14 the College started work on a major capital project to construct a 300sqm extension to the Skills Centre to provide for three new workshops and a canopy for the motor vehicles yard. A two storey extension is also planned in 2014-15 for the Street Building to provide a new 180sqm Fitness Suite with additional 100sqm classroom and storage space.

The college will also continue with its programme of lifecycle maintenance to ensure that the fabric of the college buildings remain of a high standard.

13. Post-Balance Sheet Events

There are no post-balance sheet events.

14. Resources

While the College is in receipt of recurrent grant funding, it also generates income from its commercial activities. Income is derived from The Skills Development Scotland contract, a wide range of Professional Qualifications in Management and Specialist subjects, the delivery of Scottish Vocational Qualifications in the workplace and the out of core time letting of College facilities and accommodation. In addition the College was successful in tendering to become the national provider for training of all Panel members working for the newly created Children's Hearings Scotland Organisation.

During 2013-2014 the College worked very effectively with SDS to develop employability programmes focused on the needs of young adults in context of the recession.

The College accessed funding to support training of security staff for the Commonwealth Games. This generated valuable opportunities for both students and unemployed people.

15. Principal Risks and Uncertainties

During 2013-2014 the College was successful in the management of all high level, financial, reputational and operational risks.

The College has progressed development of shared services with West Lothian Council and managed the associated risks and uncertainties.

Industrial relations represented a potential challenge for the College given the context of change and limited funding availability. For most of 2013-2014 industrial relations were maintained as positive and relatively harmonious.

Based on experience the College revised and centralised the risk register to ensure more responsive and coordinated action planning.

In going forward, the College continues to update the risk register whilst maintaining a focus on new opportunities to align with and deliver on the Regional Plan. The risk and opportunity register is led by the Senior Management Team with regular monitoring and reporting to the Board of Governors through the Audit Committee.

16. Stakeholder Relationships

The College prioritises the value of partnership working and seeks to maximise the benefits of partnerships for our staff and learners through positive engagement with a wide range of organisations and stakeholders.

West Lothian College's full engagement in the strategic assessment process involved close working with Community Partners that clearly focused on establishing a shared 'plan for place'. With a clear, co-operative commitment to improving the lives of people in West Lothian, this partnership approach ensures the College's High Priority Outcomes within its Regional Outcome Agreement align with and support a West Lothian-wide integrated approach to reducing outcome gaps and inequalities through shared vision and effective use of resources.

The College has a well-developed "External Relations Mapping" document which it reviews annually. This captures all key contacts for organisations and further details the aims of specific partnerships and highlights commonality of outputs and outcomes.

17. Equal Opportunities and Employment of Disabled Persons

The College has published its Equality Mainstreaming Report 2013-16, 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 equally 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.

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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.

18. Professional Advisers for Year to 31 March 2014

External Auditors:	Wylie Bissett LLP
Internal Auditors:	Henderson Loggie
Bankers:	Bank of Scotland
Solicitors :	Brechin Tindall Oatts
	Morton Fraser, Commercial

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MEMBERS

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

Name	Status	Job Title
Janie McCusker (appointed 04/03/2014)	Chair	Chair of the Board, West Lothian College
Mr Gordon Brewster	Governor	UK & EU Business Development Manager for Advanced Solutions International
Ms Beth Brownlee (resigned 30/06/20124)	Governor	Support Staff Member
Ms Sue Cook	Acting Vice Chair, Acting Chair of Remuneration Committee, Chair, Learning and Teaching Committee and Member of Audit Committee	Independent Consultant
Mr Martin Cousins (resigned 28/01/2014)	Governor	Teaching Staff Member
Ms Cynthia Guthrie	Governor	Joint Managing Director of Guthrie Group Ltd based in Livingston & Selkirk
Mr Graham Hope	Acting Chair, Audit Committee	Chief Executive West Lothian Council
Mr Terry Lafferty	Governor	Finance Director, Applus RTD UK
Ms Mhairi Laughlin	Governor	Principal and Chief Executive, West Lothian College
Mr Alex Linkston	Acting Chair of Board and Acting Chair of Membership Committee, member of Finance & General Purposes Committee	Retired
Ms Morag McKelvie	Chair, Finance and General Purposes Committee	Human Resources Manager, Jabil Circuit Ltd
Mr Archie Meikle (Resigned 21/08/13)	Governor	Managing Director of Ashwood Scotland Ltd
Mrs Barbara Reid	Governor	Retired
Ms Fiona Stewart	Governor	Director of Estates and Facilities, National Museums Scotland
Mrs Carolyn Bloom (Elected 17/03/2014)	Governor	Teaching Staff Member
Mr Ian Murphy (Elected 19/08/2013) (Resigned 03/09/2013)	SRC President	SRC President, West Lothian College
Nicola Greig (Elected 19/08/2013)	SRC Vice President	SRC Vice President, West Lothian College
Mr Frank Gribben (Appointed 24/09/2013)	Governor	College Registrar, College of Humanities & Social Science, Edinburgh University

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Mr Ian McIntosh (Appointed 24/09/2013)	Governor	Dean of the Faculty of Health Life and Social Services, Edinburgh Napier University
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Board of Governors

Name	Possible Attendance	Actual Attendance
Janie McCusker	n/a	n/a
Alex Linkston (Acting Chair)	3	3
Gordon Brewster	3	2
Beth Brownlee	3	3
Sue Cook	3	2
Cynthia Guthrie	3	3
Graham Hope	3	2
Terry Lafferty	3	3
Mhairi Laughlin	3	3
Morag McKelvie	3	3
Barbara Reid	3	3
Fiona Stewart	3	2
Frank Gribben	3	2
Iain McIntosh	3	3

Audit Committee

Name	Possible Attendance	Actual Attendance
Graham Hope (Chair)	3	3
Cynthia Guthrie	3	3
Sue Cook	3	2

Finance and General Purposes Committee

Name	Possible Attendance	Actual Attendance
Morag McKelvie (Chair)	3	3
Gordon Brewster	3	2
Terry Lafferty	3	2
Mhairi Laughlin	3	3
Alex Linkston	3	3
Fiona Stewart	3	2
Frank Gribben	3	1

Learning and Teaching Committee

Name	Possible Attendance	Actual Attendance
Sue Cook (Chair)	2	2
Beth Brownlee	2	2
Mhairi Laughlin	2	2
Barbara Reid	2	2
Iain McIntosh	2	2

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Membership Committee

Name	Possible Attendance	Actual Attendance
Alex Linkston (Acting Chair)	1	1
Sue Cook (Acting Vice Chair)	1	1
Graham Hope	1	1
Morag McKelvie	1	1

Remuneration Committee

Name	Possible Attendance	Actual Attendance
Sue Cook (Acting Chair)	2	2
Graham Hope	2	2
Alex Linkston	2	2
Morag McKelvie	2	2

Board of Governors

RELATED PARTY TRANSACTIONS

Due to the nature of the College's operations and the composition of its Board of Governors (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the College's Board of Governors may have an interest, and will be recorded as such in the Minutes of the Meetings and/or the Register of Interest. All transactions involving organisations in which a member of the Board of Governors may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

The related party transactions due to/by the College for the eight months ended 31 March 2014 and the amounts outstanding at this date are disclosed in note 28.

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.

_____ Date of signing: _____

Janie McCusker

Chair

Board of Governors

Authorised for issue (date): _____

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 UK Corporate Governance Code 2010. Throughout the period ended 31 March 2014, the College has been in compliance with all the Code provisions set out in the UK Corporate Governance Code 2010 insofar as they relate to Colleges.

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 March 2014 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 internal control guidance for directors on the UK Corporate Governance Code 2010 and with the Turnbull guidance.

The College's Board of Governors comprises lay members, students and employees appointed under the Further and Higher Education (Scotland) Act 1992, 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 Constitution and 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 and has several sub-committees, including a Finance and General Purposes Committee, a Learning and Teaching Committee, a Remuneration Committee an Audit Committee and a Membership 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 three 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 necessary, she is not a member of the Committee. The Membership Committee considers candidates to fill vacancies on the Board and meets as required, normally at least once per year. The Membership 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.

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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 Clerk 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 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 internal controls are in place. The Board committees in place and their main roles are outlined on page 16.
- 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 ensure the College's financial statements are not materially misstated and in their annual report have stated the accounting systems operated effectively and were satisfied that the College operates appropriate Governance procedures and that management has adequate arrangements in place covering standards of conduct.

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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.

In conclusion, it is the opinion of the Board of Governors that the College complies with all the provisions of the UK Corporate Governance Code 2010 in so far as they apply to the further education sector and it has complied throughout the year to 31 March 2014.

Janie McCusker
Chair
Board of Governors

West Lothian College

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, 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, the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Governors, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

The financial statements are prepared in accordance with the Accounts Direction issued by the Scottish Funding Council which brings together the provisions of the Financial Memorandum with other formal disclosures that the Scottish Funding Council require the Board of Governors to make in the financial statements and related notes.

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

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

The Board of Governors has taken reasonable steps to:

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

West Lothian College

- 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 administrative 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.

Approved by order of the members of the Board on 23 September 2014 and signed on its behalf by:

Janie McCusker
Chair
Board of Governors

West Lothian College

Independent auditor's report to the members of the Board of Management of West Lothian College, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of West Lothian College for the period ended 31 March 2014 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 Income and Expenditure Account, the statement of Historical Cost Surpluses and deficits, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 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.

Respective responsibilities of the Board of Management and auditor

As explained more fully in the Statement of Responsibilities of the Board of Management, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Generic scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the 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 body's affairs as at 31 March 2014 and of its deficit for the period then ended;

West Lothian College

- 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.

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.

Opinion on other prescribed matters

In our opinion the information given in the Operating and Financial Review for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations I require for my audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Ross McLauchlan, for and on behalf of Wylie & Bisset LLP

Chartered Accountants
Statutory Auditor
168 Bath Street
Glasgow, G2 4TP

Date: 23 September 2014

Wylie & Bisset LLP is eligible to act as an auditor in terms of Section 21 of the Public Finance and Accountability (Scotland) Act 2000

West Lothian College

INCOME AND EXPENDITURE ACCOUNT FOR THE EIGHT MONTHS ENDED 31 MARCH 2014

	<i>Notes</i>	8 Months Ended 31 March 2014 £'000	<i>Year Ended 31 July 2013 £'000</i>
Income			
SFC grants	2	7,074	9,443
Tuition fees and education contracts	3	1,708	2,146
Other income	4	1,041	597
Investment income	5	55	16
Total Income		9,878	12,202
Expenditure			
Staff Costs	6	6,589	8,108
Other operating expenses	8	3,316	3,048
Depreciation	12	453	714
Interest payable	9	7	32
Total Expenditure		10,365	11,902
(Deficit) / Surplus on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		(487)	300
Taxation	10	-	-
(Deficit)/ Surplus on continuing operations after depreciation of assets at valuation and tax		(487)	300

A Statement of Historical Cost Surpluses and Deficits is not required as there are no differences between the historical cost surplus and the surplus on continuing operations in the income and expenditure account.

The notes on pages 27 to 47 form part of these accounts.

West Lothian College

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE EIGHT MONTHS ENDED 31 MARCH 2014

	<i>Notes</i>	8 Months Ended 31 March 2014 £'000	Year Ended 31 July 2013 £'000
(Deficit) / Surplus on continuing operations after taxation	11	(487)	300
Revaluation adjustment on early retirement provision	16	(272)	(8)
FRS 17 actuarial (loss) / gain on Lothian Pension Fund	22	(1,117)	969
Total recognised (loss) / gain for the year		(1,876)	1,261
Total recognised (loss) / gain since last annual report		(1,876)	1,261
Reconciliation			
Opening reserves		(8,309)	(9,570)
Total recognised (loss) / gain for the year		(1,876)	1,261
Closing Reserves		(10,185)	(8,309)

West Lothian College

BALANCE SHEET

AS AT 31 MARCH 2014

	<i>Notes</i>	8 Months Ended 31 March 2014 £'000	<i>Year Ended 31 July 2013 £'000</i>
Tangible Fixed Assets	12	16,767	17,121
Current Assets			
Debtors	13	850	818
Cash at bank and in hand		2,797	2,707
Creditors: amounts falling due within one year	14	(4,150)	(2,430)
Net Current (Liabilities) / Assets		<u>(503)</u>	<u>1,095</u>
Total Assets less Current Liabilities		16,264	18,216
Creditors: amounts falling due after more than one year	15	(3,159)	(4,278)
Provision for liabilities	16	(3,704)	(3,464)
NET ASSETS excluding pension liability		<u>9,401</u>	<u>10,474</u>
Net Pension Liability	22	(2,819)	(1,662)
NET ASSETS including pension liability		<u>6,582</u>	<u>8,812</u>
Deferred Capital Grants	17	16,767	17,121
Reserves			
I&E account	18	(7,366)	(6,647)
Pension Reserve	18	(2,819)	(1,662)
		(10,185)	(8,309)
TOTAL FUNDS		<u>6,582</u>	<u>8,812</u>

The financial statements on pages 23 to 47 were approved by the Board of Governors and signed on its behalf by:

Janie McCusker – Chair

Mhairi Harrington - Principal

Date of signing:

West Lothian College

CASH FLOW STATEMENT FOR EIGHT MONTHS ENDED 31 MARCH 2014

	Notes	8 Months Ended 31 March 2014 £'000	Year Ended 31 July 2013 £'000
Net cash inflow from operating activities	19	1,214	552
Returns on investments and servicing of finance	20	6	8
Capital Expenditure and Financial Investment	20	-	-
Financing	20	(1,130)	(359)
Increase in cash in the period		90	201

Reconciliation of net cash flow to movement in net debt:

<i>Increase in cash in the period</i>	21	90	201
Change in net debt resulting from cash flows	21	1,130	359
Movement in net funds in period		1,220	560
Net debt at 1 August	21	(1,928)	(2,488)
Net debt at 31 July		(708)	(1,928)

NOTES TO THE FINANCIAL STATEMENTS FOR THE EIGHT MONTHS ENDED 31 MARCH 2014

1 STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with appropriate Accounting Standards. As a result a number of statements and notes use a different presentation from previous years. They conform to guidance published by the Scottish Funding Council.

The financial statements have been prepared on a going concern basis which assumes the College will continue in operational existence for the foreseeable future.

Basis of Accounting

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

Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

Non-recurrent grants from Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants amortised in line with depreciation over the life of the assets.

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.

a 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 FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. The amount charged to the Income and Expenditure Account 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.

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b 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 Income and Expenditure account 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 FRS17, the amount charged to the Income and expenditure 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.

Fixed Assets

a Land and Buildings

Land is included at historical cost with the exception of surplus land which is shown at market value as at 3 August 2007. Land is not depreciated as the Board of Governors is of the opinion that the included cost is less than realisable value. In implementing the FRS15 Tangible Fixed Assets, the college has adopted the transitional rules and the book values at implementation have been retained.

College buildings are depreciated over 34 years and transferred car parking areas are depreciated over 29 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.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

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.

b Equipment

Equipment is capitalised at cost when it is expected to be in use within the business on a continuing basis for at least 3 years. Capitalised equipment is depreciated over its useful economic life from the date it is brought into use as follows: -

Fixed Plant	5-29 years
Furniture	4 years
Equipment	4 years
Computer equipment	4 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

c Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Maintenance of Premises

The cost of maintenance is charged to the income and expenditure account in the period in which it is incurred.

Stocks

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

Taxation

The College has been granted charitable status by the HM Revenue and Customs. Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged to the income and expenditure account.

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

Provisions

Provisions are recognised when the institution 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.

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2 SFC GRANTS

	8 Months Ended 31 March 2014 £'000	Year Ended 31 July 2013 £'000
SFC Recurrent Grant (including fee waiver)	5,521	7,999
Childcare funds	276	340
Release of deferred capital grants (SFC)	453	714
Other SFC Grants	824	390
	<hr/>	<hr/>
	7,074	9,443

3 TUITION FEES AND EDUCATION CONTRACTS

	8 Months Ended 31 March 2014 £'000	Year Ended 31 July 2013 £'000
Further Education – Home and EU	445	716
Higher Education – Home and EU	828	885
Education contracts	435	545
	<hr/>	<hr/>
	1,708	2,146

4 OTHER INCOME

	8 Months Ended 31 March 2014 £'000	Year Ended 31 July 2013 £'000
Residence and catering	220	243
European funds	15	104
Other income generating activities	623	50
Other income	183	200
	<hr/>	<hr/>
	1,041	597

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5 INVESTMENT INCOME

	<i>8 Months Ended 31 March 2014 £'000</i>	<i>Year Ended 31 July 2013 £'000</i>
Other Interest Receivable	13	16
Net return on pension assets and liabilities	42	-
	55	16

6 STAFF COSTS

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

	<i>8 Months Ended 31 March 2014 Number (FTE)</i>	<i>Year Ended 31 July 2013 Number (FTE)</i>
Teaching departments	162	151
Teaching support services	10	9
Administration	33	37
Premises	21	20
Catering and residences	7	8
Other Income-generating activities	17	6
Other staff	2	5
	252	236
Analysed as:		
Staff on permanent contracts	226	227
Staff on temporary contracts	26	9
	252	236

West Lothian College

	<i>8 Months Ended</i> <i>31 March 2014</i> <i>£'000</i>	<i>Year Ended</i> <i>31 July 2013</i> <i>£'000</i>
Staff Costs for the above persons		
Wages and salaries	5,244	6,689
Social security costs	374	510
Other pension costs	679	908
Restructuring costs	292	1
	6,589	8,108

Teaching departments	4,036	5,500
Teaching support services	193	250
Administration	847	1,297
Premises	301	421
Catering and residences	98	143
Other income-generating activities	451	174
Other staff	289	226
Pension charge less contributions paid	82	96
Restructuring costs	292	1
	6,589	8,108

Analysed as:

Staff on permanent contracts	5,609	7,615
Staff on temporary contracts	606	396
Pension charge less contributions paid	82	96
Restructuring costs	292	1
	6,589	8,108

Emoluments of higher paid members of staff

The number of higher paid staff, including the Principal, who received emoluments including benefits in kind and excluding pension contributions for the eight months in the following ranges was:

	<i>8 Months Ended</i> <i>31 March 2014</i> <i>(Annual Equivalent)</i>		<i>12 Months Ended</i> <i>31 July 2013</i>	
	<i>Number</i> <i>Senior post-</i> <i>holders</i>	<i>Number</i> <i>Other Staff</i>	Number Senior post- holders	Number Other Staff
£50,001 to £60,000	-	3	-	3
£90,001 to £100,000	1	-	1	-

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7 SENIOR POST-HOLDERS' EMOLUMENTS

Senior post-holders are defined as the Principal and holders of other senior posts whom the Board have selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the board of governors. The Principal is the only senior post-holder under this definition.

	8 Months Ended 31 March 2014 Number	Year Ended 31 July 2013 Number
The senior post-holder (the Principal):	1	1
The Principal's emoluments are made up as follows:	£	£
Salary	65,646	96,900
Pension contributions	9,722	14,438
Total emoluments	75,368	111,338

Pension contributions in respect of the principal are in respect of employer's contributions to the Scottish Teachers' Superannuation Scheme and are paid at the same rate as for other employees.

Compensation for loss of office paid to former senior post-holders/higher paid employees

	8 Months Ended 31 March 2014 £	Year Ended 31 July 2013 £
Compensation paid to higher paid employees	-	-
	-	-

Overseas Activities

The following costs were incurred during 2013-14 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	10,404	-	10,404

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8 OTHER OPERATING EXPENSES

	<i>8 Months Ended 31 March 2014 £'000</i>	<i>Year Ended 31 July 2013 £'000</i>
Teaching departments	626	398
Teaching support services	105	116
Administration	805	944
Premises	719	795
Catering	129	145
Other income generating activities	243	20
Overspend on student support funds	-	-
Childcare fund costs	276	340
Other	311	150
Interest on the early retirement provision	102	140
	<hr/>	<hr/>
	3,316	3,048

Other Operating Expenses (Administration)
include:

Auditors Remuneration (including irrecoverable
VAT)

- Internal audit	19	31
- External audit	6	12
Other services provided by:		
- Internal audit	13	-
- External audit	-	-
	<hr/>	<hr/>
	38	43

9 INTEREST PAYABLE

	<i>8 Months Ended 31 March 2014 £'000</i>	<i>Year Ended 31 July 2013 £'000</i>
Interest on loan at Incorporation	7	8
Net return on pension assets and liabilities	-	24
	<hr/>	<hr/>
	7	32

10 TAXATION

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

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11 SURPLUS ON CONTINUING OPERATIONS FOR THE YEAR

The (deficit) / surplus on continuing operations for the year is made up as follows:

	<i>8 Months Ended 31 March 2014 £'000</i>	<i>Year Ended 31 July 2013 £'000</i>
(Deficit) / Surplus on continuing operations after depreciation of assets at valuation and tax	(487)	300

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12 TANGIBLE FIXED ASSETS

	<i>Land & Buildings Freehold £'000</i>	<i>Fixed Plant £'000</i>	<i>Equipment £'000</i>	<i>Total £'000</i>
Cost or valuation				
At 31 July 2013	18,622	1,751	814	21,187
Additions	99	-	-	99
Disposals	-	(73)	(252)	(325)
At 31 March 2014	18,721	1,678	562	20,961
Depreciation				
At 31 July 2013	2,709	656	701	4,066
Charge for Period	320	65	68	453
Disposals	-	(73)	(252)	(325)
At 31 March 2014	3,029	648	517	4,194
Net Book Value At 31 March 2014	15,692	1,030	45	16,767
Net Book Value At 31 July 2013	15,913	1,095	113	17,121
Financed by: Capital Grant	15,692	1,030	45	16,767

The College's land and buildings were independently valued by GVA Grimleys for accounting purposes as at 31 July 2007. This valuation has been incorporated into these financial statements, and consequently assets previously capitalised and depreciated and included in this valuation, have been restated. The buildings and the land that they sit on were valued at 31 July 2007 on an existing use basis (£15million and £3.8million respectively). The surplus land surrounding the campus was valued at 31 July 2007 on an open market basis at £1million.

The valuation report also included the open market valuation of £13million for the land and buildings. The difference between the open market and existing use valuations is the cost of adaptations to the estate and other costs associated with the sale of the asset.

Assets under construction with a cost of £99,000 (£Nil in 2013) are included in the freehold land and buildings values at 31 March 2014. No depreciation charge was made for these during the year and none will be made until construction is complete and the assets are brought into use.

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13 DEBTORS

	8 Months Ended 31 March 2014 £'000	<i>Year Ended 31 July 2013 £'000</i>
Trade Debtors	499	279
European Funding	183	183
Prepayments and accrued income	168	356
	850	818

14 CREDITORS: Amounts falling due within one year

	8 Months Ended 31 March 2014 £'000	<i>Year Ended 31 July 2013 £'000</i>
Trade Creditors	966	389
Taxation and Social Security	322	239
Local Authority Loan	-	11
Amounts owed to SFC	346	346
Accruals and deferred income	2,516	1,445
	4,150	2,430

15 CREDITORS: Amounts falling due after one year

	8 Months Ended 31 March 2014 £'000	<i>Year Ended 31 July 2013 £'000</i>
Local Authority Loan	-	123
Repayable to SFC	3,159	4,155
	3,159	4,278

Analysis of Creditors due after one year:

- 1-2 years	346	357
- 2-5 years	632	1,079
- More than 5 years	2,181	2,842
	3,159	4,278

The loan from the former Lothian Regional Council related to a debt inherited on Incorporation. The amount outstanding at 31 July 2013 was £134,236 was repaid in full in March 2014.

The College voluntarily terminated its PFI contract in April 2007, at which point the title of the College buildings transferred to the College.

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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 repayable in equal instalments over 16 years. The first repayment was made in August 2010 and as at 31 July 2013 the amount outstanding was £4,501,250. During the year the College repaid £996,250 of the loan and negotiated a reduced annual payment with the Scottish Funding Council from April 2015. At 31 March 2014 the amount outstanding was £3,505,000.

16 PROVISION FOR LIABILITIES & CHARGES

	<i>Early Retirement Provision</i>	<i>Other Provision</i>	<i>8 Months Ended 31 March 2014</i>	<i>Year Ended 31 July 2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Opening balance as at 1 August	(3,464)	-	(3,464)	(3,512)
Expenditure in the period	134	-	134	196
Interest charged	(102)	-	(102)	(140)
Revaluation adjustment	(272)	-	(272)	(8)
Other movements	-	-	-	-
Closing Balance as at 31 March	(3,704)	-	(3,704)	(3,464)

The early retirement provision is in accordance with a valuation carried out by Hymans Robertson, an independent firm of actuaries at 31 March 2014.

17 DEFERRED CAPITAL GRANTS

	<i>8 Months Ended 31 March 2014</i>	<i>Year Ended 31 July 2013</i>
	<i>£'000</i>	<i>£'000</i>
Opening balance as at 1 August		
Land and Buildings	15,913	16,393
Equipment	1,208	1,442
Total	17,121	17,835
<i>Received in year:</i>		
Land & Buildings	99	-
Equipment	-	-
<i>Released to Income & Expenditure Account:</i>		
Land & Buildings	(320)	(480)
Equipment	(133)	(234)
Closing Balance as at 31 March	16,767	17,121

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18 RESERVES

	<i>I&E Account Trading Activities</i>	<i>I&E Account Holiday Pay</i>	<i>I&E Account Early Retirement Provision</i>	<i>I&E Account PFI Voluntary Termination</i>	<i>FRS17 Pension Reserve</i>	<i>Total</i>
	<i>£'000</i>	<i>£,000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 31 July 2013	1,318	-	(3,464)	(4,501)	(1,662)	(8,309)
Deficit on continuing operations after depreciation and tax	(487)	-	-	-	-	(487)
Deficit related to other reserve headings	231	(223)	32	-	(40)	-
Revaluation adjustment	-	-	(272)	-	-	(272)
FRS17 Actuarial Loss	-	-	-	-	(1,117)	(1,117)
Transfer to PFI Voluntary Termination	(996)	-	-	996	-	-
At 31 March 2014	66	(223)	(3,704)	(3,505)	(2,819)	(10,185)

19 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<i>8 Months Ended 31 March 2014 £'000</i>	<i>Year Ended 31 July 2013 £'000</i>
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and tax	(487)	300
Depreciation	453	714
Deferred capital grants released to income	(453)	(714)
Interest payable	7	32
(Increase)/decrease in debtors	(32)	52
Increase in creditors	1,731	144
Increase/(decrease) in provisions	(32)	(56)
Interest receivable	(55)	(16)
Pension costs less contributions payable	82	96
Net cash inflow from operating activities	1,214	552

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20 ANALYSIS OF GROSS CASH FLOWS FOR CASH FLOW STATEMENT

	<i>8 Months Ended</i> <i>31 March 2014</i> <i>£'000</i>	<i>Year Ended</i> <i>31 July 2013</i> <i>£'000</i>
Return on investments and servicing of finance		
- Interest Received	13	16
- Interest Paid	(7)	(8)
	6	8
Capital Expenditure and Financial Investment		
- Purchase of fixed assets	-	-
- Deferred capital grants received	-	-
	-	-
Financing		
- Repayment of Loan	(1,130)	(359)
	(1,130)	(359)

21 ANALYSIS OF NET FUNDS

	<i>At 31 July</i> <i>2013</i> <i>£'000</i>	<i>Cash Flows</i> <i>£'000</i>	<i>Other</i> <i>£'000</i>	<i>At 31 March</i> <i>2014</i> <i>£'000</i>
Cash	2,707	90	-	2,797
Debt due within 1 year	(357)	357	(346)	(346)
Debt due after 1 year	(4,278)	773	346	(3,159)
	(1,928)	1,220	-	(708)

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22 PENSION COMMITMENTS

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

The total pension cost for the institution was:

	8 Months Ended 31 March 2014	<i>Year Ended 31 July 2013</i>
STSS contributions paid	314	436
LPF charge to the income & expenditure account	365	472
Total Pension Cost (Note 6)	679	908
Outstanding Pension Contributions at 31 July	86	67

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 is 14.9 % of pensionable salaries.

Under the definitions set out in Financial reporting Standard 17 "retirement benefits" (FRS 17), the STSS is a multi-employer defined benefit pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of its exemption in FRS17 and has accounted for its contributions as if it were a defined contribution scheme.

Lothian Pension Fund Scheme

The Lothian Pension Fund is valued every three years by professionally qualified independent actuaries using the projected unit 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.

For LPF, the actuary has indicated that the resources of the scheme are likely, in the normal course of events, to meet the liabilities as they fall due at the level specified by the LPF Regulations. The contribution payable by the employer is 16.0% of pensionable salaries with an additional fixed sum of £55,900 payable per year for past service adjustment contributions for former employees.

Under the definitions set in FRS17, the LPF is a multi-employer defined benefit pension scheme. In the case of the LPF, the actuary of the scheme has identified the College's share of its assets and liabilities as at 31 March 2014.

The pension scheme assets are held in a separate Trustee-administered fund to meet long-term liabilities to past and present employees. The trustees of the fund are required to act in the best

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interests of the fund's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The trustees are responsible for setting the investment strategy for the Scheme after consultation with professional advisors.

The principal assumptions used by the actuary are as follows:

	31 March 2014 % p.a.	<i>31 July 2013 % p.a.</i>
Pension increase rate	2.8%	2.8%
Salary increase rate	5.1%	5.1%
Expected return on assets	6.1%	5.9%
Discount rate	4.3%	4.6%

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

	Males	Females
Current pensioners	20.4 years	22.8 years
Future pensioners	22.6 years	25.4 years

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

	<i>Long term rate of return at 31 March 2014 (%)</i>	Fund Value at 31 March 2014 £'000	<i>Long term rate of return at 31 July 2013 (%)</i>	<i>Fund Value at 31 July 2013 £'000</i>
Equities	6.6%	8,632	6.4%	8,653
Bonds	3.9%	1,009	3.8%	757
Property	4.8%	897	4.6%	865
Cash	3.7%	<u>673</u>	3.4%	<u>541</u>
Total		<u>11,211</u>		<u>10,816</u>

Following the Chancellor's budget statement on 22 June 2010, future pension increases are now linked to the Consumer Prices Index and not the Retail Prices Index.

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

	8 Months ended 31 March 2014 £'000	<i>Year ended 31 July 2013 £'000</i>
Present value of funded liabilities	(14,030)	(12,478)
Fair value of employer assets	<u>11,211</u>	<u>10,816</u>
Net Pension Liability	<u>(2,819)</u>	<u>(1,662)</u>

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The total pension cost to the College in the eight months was £365,000. The contribution rate payable was 16.0% (2013 - 16.0%)

	8 Months ended 31 March 2014 £'000	<i>Year ended 31 July 2013 £'000</i>
Analysis of the amounts charged to staff costs (Note 6)		
Current service cost	359	472
Past service cost / (gain)	-	-
Losses / (gains) on curtailments and settlements	<u>6</u>	<u>-</u>
	365	472
Less: Contributions paid	<u>(283)</u>	<u>(376)</u>
Pension costs less contributions payable	<u>82</u>	<u>96</u>
 Analysis of the net return on pension scheme (Note 5)		
Expected return on pension scheme assets	425	450
Interest on pension scheme liabilities	<u>(383)</u>	<u>(474)</u>
Net return / (cost)	<u>42</u>	<u>(24)</u>
 Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
Actuarial return less expected return on pension assets	(241)	1,249
Change in assumptions underlying the present value of scheme liabilities	<u>(876)</u>	<u>(280)</u>
Actuarial gain / (loss) recognised in STRGL	<u>(1,117)</u>	<u>969</u>

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Changes in the fair value of scheme assets are as follows:	8 Months ended 31 March 2014 £'000	Year ended 31 July 2013 £'000
Opening fair value of scheme assets	10,816	8,886
Expected return on assets	425	450
Contributions by members	90	126
Contributions by employer	283	376
Actuarial gain / (loss)	(241)	1,249
Assets distributed on settlements	-	-
Benefits paid	<u>(162)</u>	<u>(271)</u>
Closing fair value of scheme assets	<u>11,211</u>	<u>10,816</u>

Changes in the present value of the defined benefit obligation are as follows:	8 Months ended 31 March 2014 £'000	Year ended 31 July 2013 £'000
Opening Defined Benefit Obligation	12,478	11,397
Current service cost	359	472
Interest cost	383	474
Contributions by members	90	126
Actuarial loss / (gain)	876	280
Losses / (gains) on curtailments	6	-
Past service costs	-	-
Impact of settlements	-	-
Benefits paid	<u>(162)</u>	<u>(271)</u>
Closing Defined Benefit Obligation	<u>14,030</u>	<u>12,478</u>

History of experience gains or losses

	8 Months Ended 31 March	Year Ended 31 July			
	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Scheme assets	11,211	10,816	8,886	9,601	8,353
Defined benefit obligation	(14,030)	(12,478)	(11,397)	(11,200)	(10,355)
Surplus / (Deficit)	(2,819)	(1,662)	(2,511)	(1,599)	(2,002)
Experience gains/ (losses) on scheme assets:					
- Amount	(240)	1,249	(1,635)	380	527
- Percentage of scheme assets	(2.1%)	11.5%	(18.4%)	3.9%	6.3%
Experience gains/ (losses) on scheme liabilities:					
- Amount	5	(280)	645	(16)	(683)
- Percentage of scheme liabilities	0.1%	(2.2%)	5.7%	(0.1%)	(6.6%)

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23 LOSSES AND SPECIAL PAYMENTS

	No Notification to SFC Required £000	Notification to SFC Required £000
Debt write-off	51	-
Cash losses	-	-
Ex-gratia payments	93	-
Compensation payments	-	-

24 CAPITAL COMMITMENTS

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

	2014 £000	2013 £000
Committed but not contracted	-	816
Committed and contracted	1,869	-

As at 31 March 2014 the College was committed and contracted to estates improvement works.

25 FINANCIAL COMMITMENTS

The College had annual commitments under non-cancellable operating leases as follows:

	31 March 2014 £000	31 July 2013 £000
Other		
Expiring within one year	30	30
Expiring between one and two years	-	-
Expiring between two and five years	-	-

26 CONTINGENT LIABILITIES

There were no contingent liabilities at Balance Sheet date.

27 POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

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28 RELATED PARTY TRANSACTIONS

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 Graham Hope	West Lothian Council	Chief Executive
Mr Ian McIntosh	Edinburgh Napier University	Dean of the Faculty of Health Life and Social Services

The value of the transactions due to/by the College for the eight months ended 31 March 2014, and the amount outstanding at this date is as follows:

Organisation	Total Value of Transactions for 8 months ended 31 March 2014 £'000	Amount Due as at 31 March 2014 £'000
Due to WLC		
West Lothian Council	104	27
Edinburgh Napier University	56	2
Due by WLC		
West Lothian Council	57	20
Edinburgh Napier University	1	-

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29 FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary £'000	FE Discr'y £'000	EMAs £'000	Other £'000	2013-14 Total £'000	2012-13 Total £'000
Balance b/fwd	12	-	(27)	-	(15)	25
Allocations received in year	1,372	115	296	90	1,873	2,274
Expenditure	(1,388)	(167)	(271)	(59)	(1,,885)	(2,244)
Repaid to SFC	-	-	-	-	-	(69)
College Contribution	-	-	-	-	-	-
Virements	-	-	-	-	-	(1)
Balance c/fwd	(4)	(51)	(2)	31	(27)	(15)

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 income and expenditure account.

30 CHILDCARE FUNDS

	2013-14 £'000	2012-13 £'000
Balance b/fwd	-	-
Allocation received in year	329	339
Expenditure	(276)	(340)
College contribution	-	-
Virements	-	1
Balance c/fwd	53	-

Residual cash balances and the corresponding creditor are included in the balance sheet. Childcare Funds are reported gross in the income and expenditure account.