

**WEST LOTHIAN COLLEGE**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 JULY 2016**

**Scottish Charity No. SC02021216**

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**The financial statements were approved and authorised for issue on 13 December 2016**

# West Lothian College

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# West Lothian College

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## Professional Advisors

Financial Statement Auditors

Wylie & Bissett LLP  
168 Bath Street  
Glasgow  
G2 4TP

Internal Auditors

Scott Moncrieff  
Exchange Place  
3 Semple Street  
Edinburgh  
EH3 8BL

Bankers

Bank of Scotland  
Almondvale South  
Livingston  
EH54 6NB

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 2016

### Purpose and Activities

#### 1. Performance and Overview

West Lothian is one of thirteen regions identified for the provision of further education across Scotland and has a particularly strong and productive relationship with the West Lothian Community Planning Partnership which is nationally recognised as best practice. This partnership of many public agencies delivers on key outcomes for the community and delivers on the national ambitions and priorities set out by Scottish Government.

West Lothian has a population of about 177,200, accounting for 3.3% of Scotland's total population, and is one of the fastest growing and youngest in the country, with an average age of 39 compared with 41 across Scotland. West Lothian has the highest percentage of under15s in Scotland (18.9%) and the lowest percentage of over 65s (13.6%). The growth is predicted to continue to 2035 by another 19.3%. This growth however will see the number of people of pensionable age increase significantly and particularly those aged over 75years.

The number of Households in West Lothian increased from 64,900 in 2001 to 73,400 in 2011, an increase of 13.1% which was the fourth highest in Scotland, behind only Orkney, Aberdeenshire and Highland.

Almost 9,000 people in West Lothian (5% of the area population) live within some of the most deprived areas in Scotland and 13% of the population are experiencing income deprivation. In West Lothian the population dependent on out of work benefits or child tax credit is 47% which is similar to the Scottish average for this measure (46.6%) with an estimated 18% of children in West Lothian living in severe poverty just below the Scottish average of 19.2%.

There is a higher rate of Job Seeker's Allowance (JSA) for West Lothian adults than the UK average, and youth unemployment although improved in recent years, remains above the national average.

The College has responded very positively to these challenges and has had support from the Funding Council to increase the number of places available for learners at the college by around 23% over the last five years and whilst the biggest growth was in 2013-2015 there has been continued incremental growth. West Lothian College was the only college in Scotland not to see a decline in overall student numbers over the period 2010- 2015 (Audit Scotland Report on Scotland's Colleges August 2016).

This has enabled the college to provide and target full-time provision for 16-19 year olds, work with those 20-24 year olds wishing to re-train or enter the employment market and continue to deliver a robust suite of work based learning programmes for employees and businesses. This matches the priority groups identified by Scottish Government.

The pace of growth did not come without its challenges and alongside planning for growth has been a focus on raising attainment and improving the quality of our outcomes.

This was reflected in improvements particularly in our Full Time attainment at both NQ and HN level in 2015/2016 where we moved up to the Scottish Average of 64% for NQ and above average for HN at 71%.

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## 2. 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.

## 3. 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.

## 4. Learner profile

The College enrolled 7667 learners in 2015-16 from a West Lothian working age population of 117,190. Initial School Leaver Destination Return (SLDR) 2014/15 participation in Further Education (FE) in West Lothian was 29.6%, an increase of 3.2% from 2013/14. SLDR participation in Higher Education (HE) in West Lothian in 2014/15 was 4% lower than the previous year and is now at 37.1% although still above the Scottish average, particularly from the two schools Linlithgow Academy at 57.3% and St Margaret's Academy, Livingston at 42.5%. The College's contribution to what has previously been a steady rise in participation in HE has been through a consistent increase in the range of courses offered at Scottish Credit and Qualification Framework (SCQF) level 7 and above.

The learner profile of the College continues to show a higher percentage of full and part time female to male learners with approximately 34% of all learner enrolments under the age of 19; although 17% of full time enrolments are under 19 years of age, 13% of learners were in the 20-24 years age bracket. These are, however, 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.

## 5. Curriculum planning

With support from the Scottish Funding Council (SFC), the College has increased the available number of places for learners by around 20% over 2012-15, enabling us to contribute towards the Scottish Government's clear priorities to provide for those who are unemployed, those in the workplace who require up-skilling and to guarantee all 16-19 year olds a place in post-16 learning or training that fits regional and national employment prospects.

Partnership working is central to a successful response to local and national skills needs. With a particular focus on meeting local employer demand, we build on our very strong partnership working for efficiency and effectiveness by being responsive to labour market information and demand to ensure our learners are developing higher order skills required by local, but also national, employers. With a strong, co-operative commitment to improving the lives of people in West Lothian, our partnership approach ensures the College's High Priority Outcomes within its Regional Outcome Agreement align with West Lothian's Single Outcome Agreement (SOA) high priority outcome that West Lothian residents *are better educated and have access to increased*

*and better quality learning and employment opportunities.* Partnership working between the key partners of the College, West Lothian Council, Skills Development Scotland and Jobcentre Plus, ensures robust analysis of future employment and jobs growth to identify current and future skills gaps that inform the annual review and approvals process to provide an appropriate, modern and diverse portfolio.

West Lothian College's Curriculum Strategy is to design, equality impact assess and deliver innovative, sustainable curriculum courses with a continuous focus on employability, literacy, numeracy and health and well-being, which are relevant to economic and social inclusion and reflect national and local sector skills priorities for growth in Creative Industries; Energy; Financial and Business Services; Food and Drink; Life Sciences; Sustainable Tourism; and for the high participation sectors of Care, Retail, Manufacturing, Engineering and Construction.

Full and part time courses are offered in a broad range of subject areas, including:

Business, Management and Administration; Sales and Marketing; Social Sciences; Health and Social Care; Information Technology; Science and Mathematics; Built Environment; Engineering; Food and Tourism; Art and Design; Childhood Practice and Sport & Fitness.

### **6. College/School Partnership**

West Lothian College is committed to contributing towards the Scottish Government's clear priorities to provide for those who are unemployed, those in the workplace who require up-skilling and to guarantee all 16-19 year olds a place in post-16 learning or training that better prepares young people for employment through informed career choice to fit regional and national employment prospects.

The College sits on West Lothian's Developing Scotland's Young Workforce Steering Board, whose remit is to plan, co-ordinate and monitor partners working together to contribute to the implementation of Curriculum for Excellence in the Senior Phase. The Board has representation from Education Services, Economic Planning, the two West Lothian Colleges, Skills Development Scotland, Jobcentre Plus, employers and Education Scotland to ensure a joined-up approach to strategic planning to provide training and employment opportunities for young people in West Lothian. Within the Opportunities for All agenda, all young people in West Lothian will have the opportunity to realise their entitlements, whatever their individual needs and wherever their learning is taking place, to progress into a guaranteed positive and sustained post-16 destination in learning, training or employment.

West Lothian's Community Partnership commitment to increasing positive destinations for school leavers has seen a marked success over the past few years moving from 80.4% in 2006/07 to 93.4% in 2014/15. West Lothian Council is 14th out of 32 local authorities for the percentage of school leavers entering a positive destination.

93.5% of females enter positive destinations in comparison to 92.5% of males, a 1.1pp difference. This position mirrors that of the national picture.

SLDR return 2014/15 showed Armadale Academy had the lowest total positive destinations at 91.3%, followed by St Kentigern's Academy at 91.5% and James Young High School at 92%. St Margaret's Academy has the highest total positive destinations at 96.8% just above West Calder High School at 95.6%. Inveralmond Community High School has the lowest percentage of leavers entering Higher Education at 29.1% but the highest percentage at 43.3% of leavers entering Further Education. Linlithgow Academy has the highest percentage of leavers entering Higher Education at 57.3% but the lowest percentage of leavers entering Further Education at 19.1%.

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The College has a strong partnership with all eleven local secondary schools and in West Lothian there has been a general upward trend in school students staying-on rate. The College has played a key role to contributing to improved schools' attainment with a strong suite of vocational pathway programmes being delivered part time to S4-S6 school students to offer personalisation and choice to fully implement the entitlements of the Senior Phase of a Curriculum for Excellence. With a general upward trend in schools attainment as at 2015, 86.18% of S4 students now gain 5 or more SCQF level 3 compared with its virtual comparator of 84.60%, 78.99% now gain 5 or more SCQF Level 4 compared to virtual comparator of 79.32% and 40.00% now gain 5 or more SCQF level 5 qualifications compared with the virtual comparator of 44.08%. The West Lothian figure is deflated by approximately 4.5% due to the bypassing of National 5 examinations by 89% of S4 pupils at Linlithgow Academy and it is considered that the 'true' figure would equal or be slightly greater than the virtual comparator.

By the end of S5, 47.02% of pupils achieve 3 or more passes at SCQF Level 6 compared to 42.86% for the virtual comparator and 42.68% of pupils achieve 3 or more SQA Higher passes compared to the virtual comparator figure of 38.41%.

### 7. Economic context

West Lothian has a population of about 177,200 accounting for 3.3% of Scotland's total population. 64.9% of all people are aged 16-64, similar to Scotland at 64.8%. The population growth is set to increase, however, by another 19.3% by 2035 with 10,000 additional house builds forecast focused in core development areas Whitburn, Armadale, East Calder and Winchburgh. School roll numbers are projected to rise slightly (3%) in the next five years, compared to falling at the Scotland level (-2%).

The 2014 mid-year estimate indicates the West Lothian 16-24 year old population to be 19,009, 10.7% of the total population. The Scottish figure is 11.6%. West Lothian has the highest percentage of under 15s in Scotland at 18.9% and the lowest percentage of over 65s at 13.6%. The greatest increase is those of retirement age - 53% for 75+ years compared to 28% for Scotland.

Whilst there are many areas of affluence in West Lothian around 9,000 people, 5% of the area population, live within some of the most deprived areas in Scotland and 13% of the resident population is experiencing income deprivation. 9% of households, however, have an income under £10,000, compared to 13% in Scotland, and 32% of households have an income over £30,000, compared to Scotland at 31%. 18% of workless households in the region is an increase from 15% since 2004.

West Lothian has the second highest proportion (72.6%) of full-time employees, significantly above the Scottish level of 67.7%. 81.3% of the resident population is economically active compared to 77.8% across Scotland however it remains a low waged and low skilled economy compared to the Scottish average. As a proportion of all persons aged 16+ in employment, 38.2% are employed in Standard Occupational Groups 1-3, compared to 41.7% across Scotland.

Skills Development Scotland (SDS) SLDR 2014-15 evidenced a 3.6pp rise to 21.4% since 2012-13 of leavers entering employment.

At July 2016, unemployment in West Lothian stood at 1.8% (% is a proportion of resident working age people), which is lower than 2.5% for the same month the previous year. Unemployment is higher in the southwest of West Lothian (Whitburn and Blackburn, Armadale and Blackridge, Bathgate and Fauldhouse and the Breich Valley) and lower in Linlithgow and the southeast of the area.



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West Lothian also maintains a higher proportion (4.0%) than Scotland (3.3%) of youth unemployment and this, with particular focus on the Scottish Government's agenda to increase the employment rate for young disabled people to the population average by 2021, remains a key concern to West Lothian's Community Planning Partnership and Economic Forum. The College's high priority outcome to improving life chances by increasing access for young people aged 16-24 to successfully participate in vocational education opportunities within the region has been, over 2011/14, to provide a steady average commitment of 50% of its funding allocation to increasing the number of full time courses offered to 16-19 year old learners and to maintaining our allocation of funding to 20-24 year olds.

West Lothian's jobs-base is dominated by service sector employment, particularly the Wholesale and Retail Distribution sectors, which in total account for 20.5% of jobs. Sectors showing significant net growth since 2010 are Professional, Scientific & Technical (41.4%), Construction (26%) and, with established Enterprise Area Status for the food and drink sector, Accommodation & Food Services (21.2%). Construction in particular has shown significant growth and now accounts for 11.8% of jobs. The net increase in Construction sector jobs is not unexpected given the increase in housebuilding and other developments such as the on-going expansion of The Heartlands Business Park at Whitburn to build a new state-of-the-art facility for Oil States Industries (UK) Ltd.

The sectors showing net reduction since 2010 are Financial & Insurance (-25%) and Manufacturing (-9.9%) despite manufacturing employment, through businesses such as Mitsubishi and Quintiles, increasing by 800 from 2013 to 2014. Manufacturing employment has, however, overall declined from 2010 with the closure of Vion/Halls contributing to that net reduction. As recently as 15 years ago, 20% of West Lothian's employment was manufacturing based.

West Lothian experienced a decrease of 15% in public sector employment 2010/14 compared with Scotland (-10%) and Great Britain (-14%).

West Lothian has a similar pattern to Scotland for basic and intermediate level qualifications with 74% of adults qualified to SVQ level 2 and above, compared with 74.8% for Scotland. However, West Lothian lags behind Scotland for higher level qualifications with just 34.9% qualified to SVQ level 4 and above, compared with 41% for Scotland. With non-advanced provision accounting for around 73% of all College activity and provision at SCQF level 7 and above at 27% of the portfolio, this represents a steady increase over the past three years in higher level provision to reflect the expressed skills needs of the economy and to promote positive destinations for our students into sustainable well paid employment.

### **8. 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 involves 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.

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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.

## 9. Principal Risks and Uncertainties

During 2015-2016, the College was successful in the management of all high level, financial, reputational and operational risks.

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

2015-16 was a fairly challenging one with employee relations and pay negotiations dominating events, with the introduction of ‘National Bargaining’. However this improved from mid-spring of this year with a focus on teams and learner success, the pay award settled and an end of term staff celebrating success event.

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 Team with regular monitoring and reporting to the Board of Governors through the Audit Committee.

In 2015-16, College Centres and teams developed their own Risk Register, which was updated quarterly, and used to inform the College Strategic Risk Register. A quarterly progress report will be submitted to the College Audit Committee and Board.

## 10. 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. In addition the College’s Auditors in their annual report indicate they are satisfied following review of the forecasts and financial projections that the Board of Governor’s assessment of the going concern basis of preparation is appropriate. 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.

## 11. Performance Summary

West Lothian College contributed to the following priority outcomes:

- Provision of sustainable post 16 vocational education supported by the efficiencies of shared services and joint provision with West Lothian Council.
- Improved life chances by increasing access for young people aged 16-24 to successfully participate in vocational education and opportunities within the region.
- Increased positive destinations for individuals in the region completing vocational programmes into employment or higher level study.

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- Contributed 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.

## 12. Performance Analysis

Achievements towards the 2015-2017 Regional Outcome Agreement

The college made good progress towards the majority of the outcomes, outputs and targets identified in the 2015-2017 Regional Outcome Agreement.

### Highlights

- 83% of learners satisfied with the quality and effectiveness of learning and teaching
- 87% of HE students progressed to employment or university study.
- Continued work on shared services with West Lothian Council achieved
- Enhanced progression opportunities from West Lothian to a range of other colleges.
- On track to achieve all targets set for and by the College
- Extension of employability programmes and engagement with new employment sectors including health care engineering, construction, and hospitality.
- Associate student places agreed and signed up for 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
- Successful, international, educational and cultural opportunities for students and staff to countries including South Africa, Sweden, Spain, and Indonesia.
- Fitness, Health and Exercise/ Applied Sport Science students had a successful annual work programme.
- Two hospitality students completed a working visit to Gaylord Texan Hotel in Grapevine.
- Maintained UK Buttle Quality Mark recognising our work with young people in care
- Further developed the activities of the Student Association and class representatives to ensure learner involvement in the life and work of the college
- Positive Staff wellbeing and industrial relations and an agreed pay award in line with public sector pay policy.
- Highly successful Commercial activity.
- Development of partnership work with the NHS

## 13. 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. We continue to provide training for all Panel members working within the Children's Hearings system.

During this year the College worked very effectively with SDS to develop a rolling employability programmes focused on the needs of young adults who have found entry to the labour market difficult.

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### 14. 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 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 Team and the Board of Governors on a regular basis.

The tables below detail performance in Academic Years 2013-14, 2014-15 and 2015-16

#### WSUMS / Credits

		SFC Target	Actual	% Target
2013-14	WSUMS	47,728	50,116	105%
2014-15	WSUMS	53,665	54,016	101%
2015-16	Credits	43,499	44,669	103%

#### Full-time FE

	Early withdrawal	Further withdrawal	Partial Success	Completed successfully
2013-14	9%	15%	13%	63%
2014-15	8%	18%	10%	64%
2015-16	8%	19%	9%	64%

#### Full-time HE

	Early withdrawal	Further withdrawal	Partial Success	Completed successfully
2013-14	7%	13%	12%	68%
2014-15	8%	10%	11%	71%
2015-16	5%	11%	14%	70%

#### Part time FE

	Early withdrawal	Further withdrawal	Partial Success	Completed successfully
2013-14	2%	3%	23%	72%
2014-15	0.6%	3%	22%	75%
2015-16	2%	5%	22%	74%

#### Part time HE

	Early withdrawal	Further withdrawal	Partial Success	Completed successfully
2013-14	5%	4%	17%	74%
2014-15	4%	2%	21%	74%
2015-16	3%	5%	27%	66%

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The table below details financial performance in Financial Years 2013-14, 2014-15 and 2015-16

	Actual 8 month period ended 31 March 2014	Actual 16 month period ended 31 July 2015 (restated)	Actual 12 month Academic Year 2015-16
Deficit for the year as a % of total income	(4.9%)	(0.9%)	(3.8%)
Deficit for the year as a % of total expenditure	(4.7%)	(0.9%)	(3.6%)
Staff costs as % of total income (excludes exceptional costs)	64%	61%	67%
Ratio of Current Assets to Current Liabilities	(0.9)	(0.5)	(0.5)
Days Cash to Total Expenditure	106	6	14
Debtor days	40	64	33

### 15. 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 was implemented with effect from 1 April 2014. This had wide implications for the College as its reporting and accounting practices had to align with those that apply to Central Government organisations. The key changes which impact on the Financial Strategy are:

- All income and expenditure, including that funded from either reserves or borrowing, counts as part of the Scottish Government's own income and expenditure for budgeting purposes.
- All expenditure (net of income) requires budget cover from within the Scottish Government's own budget limits.
- The need to break even on a resource basis on an April-March fiscal year.
- The need to achieve break-even on income and expenditure on a financial year basis (August-July) as there is very little scope to carry forward surpluses to future years.
- Cash Surpluses need to be transferred to an Arms-Length Charitable Foundation.
- Minimum levels of cash to be held.
- New loan arrangements cannot be entered into without the prior approval of the Scottish Ministers.

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The College's Financial Strategy is therefore to:

- Generate sufficient cash surplus to meet the Scottish Funding Council (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 2015-16 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.

## **16. Nature, Objectives and Strategies**

The Board present its report and the audited financial statements for the year ended 31 July 2016. The Board of Governors has approved these accounts on the basis the College is a going concern. The audited financial statements have been prepared under the historic cost convention in line with the principles and guidance set out in the Statement of Recommended Practice, Accounting for Further and Higher Education and with the Government Financial Reporting Manual (FReM).

## **17. Scope of the Financial Statements**

The Financial Statements cover all activities of the College.

## **18. Financial Position**

### **Financial Results for the year ended 31 July 2016**

The College generated a deficit before other gains and losses in the year of £595,000 (2015 – deficit of £205,000), with total comprehensive income deficit of £1,891,000 (2015 – surplus of £4,375,000). The total comprehensive income in 2015 included £4,598,000 for unrealised surplus on revaluation of assets and in 2016 an actuarial loss of £1,296,000 in respect of pension schemes. After transfer of £190,000 from the revaluation reserve, the cumulative deficit on the Income and Expenditure account increased by £1,701,000 from £10,408,000 deficit to £12,109,000 deficit.

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The cumulative deficit at the year-end comprised £170,000 for holiday pay accrual, £2,843,000 for voluntary agreed PFI termination loan, £3,956,000 for early retirement provisions, £4,799,000 for defined benefit pension obligations and £341,000 for trading activities (see Note 16).

The College is reporting net total liabilities of £7,701,000 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.

### Overall Financial Position

The deficit for the year as per the Statement of Comprehensive Income is the result of a number of factors which are explained below. When these factors are adjusted the underlying financial position is an operating surplus.

	Note	Year Ended 31 July 2016	16 Months Ended 31 July 2015
		£'000	£'000
<b>(Deficit) / Surplus for the year / period as per statement of comprehensive income</b>		<b>(1,891)</b>	<b>4,375</b>
Impact of pension on College – salary costs	1	379	378
Impact of pension on College – interest	1	256	381
Actuarial loss in respect of pension schemes	1	1,296	18
Unrealised surplus on revaluation of assets	-	-	(4,598)
<b>Surplus for the year / period before adjustment for Net Depreciation Spend</b>		<b>40</b>	<b>554</b>
<b>Approved Net Depreciation Spend</b>			
Loan Repayment	2	158	-
Additional Estates Spend	2	32	-
<b>Operating surplus for year / period</b>		<b>230</b>	<b>554</b>

#### (1) Pension Costs – Impact of introduction of Financial Reporting Standard 102

These costs are non-cash items and are a requirement of FRS 102. The costs represent the impact of the movement on the Lothian Pension Fund and College Early Retirement Provision which require to be charged to the College Statement of Comprehensive Income. The College expenses the actual pension contributions as they are incurred and these are recorded in Note 6 of the Financial Statements. As these costs are non-cash related and the College cannot control the impact they have been adjusted for.

#### (2) Net Depreciation Spend

One consequence of college sector reclassification as central government bodies is that, from 1 April 2014, while colleges continue to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated and how the colleges spend the cash funds previously earmarked for depreciation. There is potential for this spend to move the college's Statement of Comprehensive Income into a deficit position.

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The impact of the above has resulted in £190,000 of expenditure contributing to the reported deficit for the 2015/16 accounting year (£Nil for 2014/15). These funds were expended on the agreed annual loan repayment to the Scottish Funding Council and on improvements to the College estate.

The Scottish Funding Council has confirmed in its letter to the College on 30 March 2015 that a deficit resulting from the College following its 30 January 2015 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.

### **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 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. At the end of 2015-16 current assets: current liabilities were 0.50 and days cash to total expenditure was 14 days reflecting the ONS requirement. Targets for 2016-17 are 17 days cash to total expenditure and current assets: current liabilities 0.8.

### **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 4%. 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.

### **19. Post-Balance Sheet Events**

There are no post-balance sheet events.



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### 20. Review of Resource outturn for year ended 31 March 2016

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 2015-16 (1 April 2015-31 March 2016) are outlined below:

	<b>RDEL £'000</b>	<b>CDEL £'000</b>
Resource budget for year ended 31 March 2016	17,050	192
Expenditure against resource budget	17,050	192
Net underspend/(overspend) against budget	0	0

In addition, the college received a non-cash budget from the government to cover depreciation costs.

### 21. Climate Change (Scotland) Act 2009

The College will comply with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

### 22. Equal Opportunities

West Lothian 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 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.

### 23. Future Performance

The College's Curriculum Strategy 2016-18 identifies key target groups by committing to:

- prioritising College places for young people aged 16-24 in recognition of the Scottish Government's Opportunities for All commitment to post-16 education and training for all 16-19 year olds and 19-24 year olds.

## West Lothian College

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- Developing the Young Workforce agenda through increasing the number of STEM-focused Foundation and Advanced Apprenticeship vocational offerings for school pupils S4 to S6 to realise the entitlements of the Senior Phase of Curriculum for Excellence (CfE) and reduce youth unemployment by 40%, from 2014 levels, by 2021.
- maintaining and extending key sector 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 through targeted community-based learning opportunities.
- 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 degree programmes.
- 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 Local Employability 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 Equality Challenge Unit, to support and 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.
- providing high quality English language provision for English for Speakers of Other Languages (ESOL) learners to enable participation and integration in Scottish life.

The Performance Report is approved by the Principal on 13 December 2016.

**Mhairi Harrington**  
**Principal**

## West Lothian College

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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>
Sue Cook	Chair, Learning and Teaching Committee; Interim Chair	Self-employed consultant
Alex Linkston	Interim Chair	Chair, Forth Valley Health Board; Ad hoc consultancy work
Frank Gribben	Governor	College Registrar, Edinburgh University; secondment to National Galleries of Scotland
Cynthia Guthrie	Governor	Joint Managing Director of Guthrie Group Ltd
Graham Hope	Chair, Audit Committee	Chief Executive West Lothian Council
Terry Lafferty (resigned 15/6/16)	Governor	Finance Director, Applus RTD UK
Mhairi Harrington	Governor	Principal and Chief Executive, West Lothian College
Frank McGraw	Governor	Director of Education, Healthcare Skills; National Accounts Manager Xact Group; freelance consultant
Ian McIntosh	Governor	Assistant Principal, Edinburgh Napier University
Morag McKelvie	Chair, Finance and General Purposes	Human Resources Manager, iQor
Colin Miller	Governor	Partner, DWF solicitors
Norman Ross (appointed 16/12/15)	Governor	Retired; director Kilmorack Consulting Ltd
Angela Bell	Governor	Support Staff member
Alan Morton	Governor	Teaching Staff member
Hayley Cadden (resigned 19/4/16)	Governor	Student Association President
Jarmila Slodyczka	Governor	Student Association Vice-President (until 20/6/16) Student Association President (from 21/6/16)
Michael Allan (from 21/6/16)	Governor	Student Association Vice-President

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### Chair, Interim Chair and Vice Chair arrangements

Alex Linkston, interim chair 1/8/15 to 15/10/15  
Sue Cook, interim chair 16/10/15 to 26/06/16  
Alex Linkston, appointed Regional Chair 27/6/16

Sue Cook Vice Chair  
Morag McKelvie Vice Chair  
Sue Cook Vice Chair

### Board of Governors

Name	Possible Attendance	Actual Attendance
Alex Linkston	4	4
Sue Cook	4	4
Frank Gribben	4	4
Cynthia Guthrie	4	3
Mhairi Harrington	4	4
Graham Hope	4	4
Terry Lafferty	3	2
Frank McGraw	4	2
Iain McIntosh	4	4
Morag McKelvie	4	4
Colin Miller	4	4
Norman Ross	2	2
Angela Bell	4	2
Alan Morton	4	4
Hayley Cadden	3	2
Jarmila Slodyczka	4	4
Michael Allan	1	1

## West Lothian College

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### Audit Committee

Name	Possible Attendance	Actual Attendance
Graham Hope (Chair)	4	4
Cynthia Guthrie	4	2
Sue Cook*	1	1
Frank McGraw	4	2
Norman Ross	2	2

\*Sue was not a member during the period of service as interim chair of the Board

### Finance and General Purposes Committee

Name	Possible Attendance	Actual Attendance
Morag McKelvie (Chair)	4	2
Terry Lafferty	3	3
Mhairi Harrington	4	4
Alex Linkston	4	4
Frank Gribben	4	4
Angela Bell	4	3

### Learning and Teaching Committee

Name	Possible Attendance	Actual Attendance
Sue Cook (Chair)	4	4
Mhairi Harrington	4	4
Iain McIntosh	4	4
Colin Miller	4	3
Alan Morton	4	4
Hayley Cadden	3	2
Jarmila Slodyczka	4	4

### Remuneration Committee

Name	Possible Attendance	Actual Attendance
Sue Cook	2	2
Graham Hope	2	2
Morag McKelvie	2	2

### Senior Team

Name	Job Title
Mhairi Harrington	Principal
George Hotchkiss	Assistant Principal, Curriculum & Innovation
Jennifer McLaren	Assistant Principal, Curriculum Support & Finance
Lindsay Seywright	Assistant Principal, Curriculum & Planning

### 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

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of Interest. All transactions involving organisations in which a member of the Board of Governors may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

The related party transactions due to/by the College for the year ended 31 July 2016 and the amounts outstanding at this date are disclosed in note 23.

### **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.

### 2. 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 2015-16 (FReM) where applicable and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Governors, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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

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

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

The Board of Governors has taken reasonable steps to:

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

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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.



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## 3. 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 2014 Code of Good Governance for Scotland's Colleges and the Government's Scottish Public Finance Manual. Throughout the period ended 31 July 2016, the College has been in compliance with all the Code provisions set out in the 2014 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 2016 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 2014 Code of Good Governance for Scotland's Colleges and the Government's Scottish Public Finance Manual.

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 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 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 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 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.

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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 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 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 pages 19-22.
- 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 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.

The College also has a range of internal financial controls which include:

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- 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 2014 Code of Good Governance for Scotland's Colleges and the Scottish Public Finance Manual and it has complied throughout the year to 31 July 2016.

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## 4. 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 2016			16 months ended 31 July 2015*		
	Actual Salary* £'000	Pension Benefit £'000	Total £'000	Actual Salary* £'000	Pension Benefit £'000	Total £'000
Alex Linkston	0 - 5	0	0 - 5	0	0	0
Sue Cook	10-15	0	10-15	0	0	0
Janie McCusker	0	0	0	20-25	0	20-25
Mhairi Harrington	105 - 110	10 – 15	115 - 120	140-145	5-10	150-155
George Hotchkiss	65 - 70	5 – 10	70 -75	85-90	5-10	90-95
Jennifer McLaren	65 - 70	0 - 5	65 – 70	85-90	0-5	90-95
Lindsay Seywright	65 - 70	5 - 10	70 - 75	85-90	5-10	90-95

\*Salaries for 16 month period 1 April 2014-31 July 2015

### 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 2015-16 was £107,971 (2014-15 £106,902). This was 4.3 times (2014-15 4.4 times) the median remuneration of the workforce which was £25,089 (2014-15 £24,280).

<sup>1</sup> Note:

- The salaries in the above table represent the amount earned in the financial year and include salary, bonuses, overtime and other allowances (as applicable)
- 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

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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 contracted out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS).

Both STSS and LGPS are final salary pension schemes. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme. The scheme's normal retirement age is 65.

Contribution rates are set annually for all employees and can be found in note 18.

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 2016 £	Accrued lump sum at pension age at 31 July 2016 £	Real increase in pension 1 August 2015 to 31 July 2016 £	Real increase in lump sum 1 August 2015 to 31 July 2016 £
Mhairi Harrington-Principal	39,068	117,203	978	2,935
George Hotchkiss-Assistant Principal	17,906	53,718	644	1,933
Jennifer McLaren-Assistant Principal	7,000	0	1,000	0
Lindsay Seywright-Assistant Principal	18,703	56,110	636	1,909

Name	CETV at 31 July 2016 £	CETV at 31 July 2015 £	Real increase in CETV £
Mhairi Harrington-Principal	885,274	818,313	34,403
George Hotchkiss-Assistant Principal	394,468	360,378	17,655
Jennifer McLaren-Assistant Principal	110,742	90,740	20,001
Lindsay Seywright-Assistant Principal	411,472	376,482	18,152

### 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.

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

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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.

## STAFF REPORT

### Senior Staff

Senior Staff	12 months ended 31 July 2016			16 months ended 31 July 2015*		
	Actual Salary* £'000	Pension Benefit £'000	Total £'000	Actual Salary* £'000	Pension Benefit £'000	Total £'000
Principal	105 - 110	10 – 15	115 - 120	140-145	5-10	150-155
Assistant Principal	65 - 70	5 – 10	70 -75	85-90	5-10	90-95
Assistant Principal	65 - 70	0 - 5	65 – 70	85-90	0-5	90-95
Assistant Principal	65 - 70	5 - 10	70 - 75	85-90	5-10	90-95

\*Salaries for 16 month period 1 April 2014-31 July 2015

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### Salaries and Related costs

	<b>2016</b>	<b>2016</b>	<b>2016</b>	2015
	<b>Directly employed staff</b>	<b>Seconded and agency staff</b>	<b>Total</b>	Total
	<b>12 Months £'000</b>	<b>12 Months £'000</b>	<b>12 Months £'000</b>	16 Months £'000
<b>Wages and salaries</b>	8,296	0	<b>8,296</b>	10,186
<b>Social security costs</b>	655	0	<b>655</b>	759
<b>Other pension costs</b>	1,677	0	<b>1,677</b>	1,844
<b>Restructuring Costs</b>	2	0	<b>2</b>	174
<b>Total</b>	10,630	0	<b>10,630</b>	12,963
<b>Average number of FTE</b>	282	0	<b>282</b>	278

The college employed 283 females and 139 males during 2015-16 (headcount).

The number of long and short term sick absence days lost during 2015-16 was 3,618.

### Employment of Disabled Persons

The College complies with its responsibilities as set out in the Equality Act 2010. All HR Policies support staff with disabilities and all College strategies and policies are equality impact assessed. Information on disabled persons is reported through the College's Equality Mainstreaming Report. All staff participate in an annual review of their development needs.

### Expenditure on Consultancy, Off-Payroll Engagements and Exit Packages

There were no off-payroll engagements or exit packages. Expenditure on consultancy was £12,000.

Approved by the members of the Board on 13 December 2016 and signed on its behalf by:

**Alex Linkston**  
Chair

**Mhairi Harrington**  
Principal

# West Lothian College

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## **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**

We have audited the financial statements of West Lothian College for the year ended 31 July 2016 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 Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Financial Reporting Standard (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 Governors and auditor**

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

### **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 college's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; 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 report and financial statements 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 college's affairs as at 31 July 2016 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and



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- 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).

### **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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year 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 and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the corporate governance statement does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Ross McLauchlan BAcc CA, for and on behalf of Wylie & Bisset LLP  
168 Bath Street  
Glasgow  
G2 4TP

Wylie & Bisset LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Date: 13 December 2016

## West Lothian College

### STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000 <i>Restated</i></b>
<b>Income</b>			
SFC grants	2	10,961	16,872
Tuition fees and education contracts	3	2,725	3,468
Other income	4	2,098	2,282
Investment income	5	4	11
<b>Total Income</b>		<b>15,788</b>	<b>22,633</b>
<b>Expenditure</b>			
Staff Costs	6	10,630	12,963
Other operating expenses	7	4,716	7,038
Depreciation	10	780	855
Exceptional impairment loss	10	-	1,601
Interest payable	8	257	381
<b>Total Expenditure</b>		<b>16,383</b>	<b>22,838</b>
<b>Deficit before tax</b>		<b>(595)</b>	<b>(205)</b>
Taxation	9	-	-
<b>Deficit for the year</b>		<b>(595)</b>	<b>(205)</b>
Unrealised surplus on revaluation of assets		-	4,598
Actuarial loss in respect of pension schemes		(1,296)	(18)
<b>Total comprehensive income for the year</b>		<b>(1,891)</b>	<b>4,375</b>
<b>Represented by:</b>			
Restricted comprehensive income		-	-
Unrestricted comprehensive income		(1,891)	4,375
		<b>(1,891)</b>	<b>4,375</b>

## 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 1 April 2014</b>	<b>(10,185)</b>	-	<b>(10,185)</b>
Deficit from income and expenditure statement	(205)	-	(205)
Other comprehensive income	4,580	-	4,580
Transfers between revaluation reserve and income and expenditure reserve	(4,598)	4,598	-
<b>Total comprehensive income for the year</b>	<b>(223)</b>	<b>4,598</b>	<b>4,375</b>
<b>Balance at 31 July 2015</b>	<b>(10,408)</b>	<b>4,598</b>	<b>(5,810)</b>
Deficit from income and expenditure statement	(595)	-	(595)
Other comprehensive income	(1,296)	-	(1,296)
Transfers between revaluation reserve and income and expenditure reserve	190	(190)	-
<b>Total comprehensive income for the year</b>	<b>(1,701)</b>	<b>(190)</b>	<b>(1,891)</b>
<b>Balance at 31 July 2016</b>	<b>(12,109)</b>	<b>4,408</b>	<b>(7,701)</b>

## West Lothian College

### BALANCE SHEETS AS AT 31 JULY

	<i>Notes</i>	<b>2016 £'000</b>	<b>2015 £'000 <i>Restated</i></b>
<b>Non-Current Assets</b>			
Fixed Assets	10	<b>20,060</b>	20,794
<b>Current Assets</b>			
Trade and other receivables	11	<b>777</b>	1,021
Cash and cash equivalents	17	<b>597</b>	348
		<b>1,374</b>	1,369
<b>Less: Creditors;</b> amounts falling due within one year	12	<b>(2,643)</b>	(2,507)
<b>Net Current Liabilities</b>		<b>(1,269)</b>	(1,138)
<b>Total Assets less Current Liabilities</b>		<b>18,791</b>	19,656
Creditors: amounts falling due after more than one year	13	<b>(17,737)</b>	(18,440)
<b>Provisions</b>			
Defined benefit obligations	15	<b>(4,799)</b>	(3,642)
Other provisions	15	<b>(3,956)</b>	(3,384)
<b>Total Net Liabilities</b>	1d	<b>(7,701)</b>	(5,810)
<b>Unrestricted Reserves</b>			
Income and expenditure account	16	<b>(12,109)</b>	(10,408)
Revaluation reserve		<b>4,408</b>	4,598
<b>Total Reserves</b>		<b>(7,701)</b>	(5,810)

The financial statements on pages 34 to 60 were approved by the Board of Governors on 13 December 2016 and signed on its behalf on that date by:

**Alex Linkston**  
Chair

**Mhairi Harrington**  
Principal

## West Lothian College

### STATEMENT OF CASH FLOWS

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000 Restated</b>
<b>Cash flow from operating activities</b>		
Deficit for the year	(595)	(205)
<b>Adjustment for non-cash items</b>		
Depreciation	780	855
Exceptional Impairment Loss	-	1,601
Deferred capital grants released to income	(590)	(2,456)
Decrease/(increase) in debtors	244	82
Increase/(decrease) in creditors due within one year	136	(2,298)
Increase/(decrease) in creditors due after one year	-	-
Increase/(decrease) in provisions	(202)	(274)
Pension costs less contributions payable	379	378
<b>Adjustment for investing or financing activities</b>		
Investment income	(4)	(11)
Interest payable	257	381
<b>Net cash inflow / (outflow) from operating activities</b>	<b>405</b>	<b>(1,947)</b>
<b>Cash flows from investing activities</b>		
Interest received	4	11
Capital grant receipts	45	1,876
Payments made to acquire fixed assets	(46)	(1,885)
	<b>3</b>	<b>2</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1)	-
Repayments of amounts borrowed	(158)	(504)
	<b>(159)</b>	<b>(504)</b>
<b>Increase / (decrease) in cash and cash equivalents in the year</b>	<b>249</b>	<b>(2,449)</b>
Cash and cash equivalents at start of the year	348	2,797
Cash and cash equivalents at end of the year	597	348

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 2016

### 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 2015-16 Government Financial Reporting Manual (FReM) issued by the Scottish Government. As a result a number of statements and notes use a different presentation from previous years. 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) Transition to the 2015 FE HE SORP

The College is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the College has amended certain accounting policies to comply with FRS 102 and the 2015 FE HE SORP.

An explanation of how the transition to the 2015 FE HE SORP has affected the reported financial position, financial performance and cash flows of the results of the College is provided in note 26.

The 2015 FE HE SORP requires colleges to prepare a single statement of comprehensive income, and not the alternative presentation of a separate income statement and a statement of other comprehensive income. This represents a change in accounting policy from the previous period where separate statements for the Income and Expenditure account and for the Statement of Total Recognised Gains and Losses were presented.

#### c) 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).

### **d) 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.

### **e) Recognition of Income**

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to 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 Income and Comprehensive Expenditure over the period in which students are studying.

All income from short-term deposits and Investment income is credited to the statement of income and expenditure on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account.

### **f) Grant Funding**

Government revenue grants including the recurrent grants from the Scottish Funding Council are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between 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.

### **g) 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,

### **h) 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

## West Lothian College

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benefits are accrued and measured as the additional amount the college expects to pay as a result of the unused entitlement.

### **i) 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 "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.

#### **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 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 FRS 102, 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.

### **j) 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.



## West Lothian College

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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) Equipment

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

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

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

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

### iii) Operating Leases

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

## k) Maintenance of Premises

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

### **l) Stocks**

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

### **m) 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.

### **n) 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 income and expenditure account.

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

### **o) 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.

### **p) 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 Income and Expenditure Account; 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 income and expenditure account.

## West Lothian College

### 2 SFC GRANTS

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
SFC Recurrent Grant (including fee waiver)	9,524	12,486
Childcare funds	497	594
Release of deferred capital grants (SFC)	590	2,456
Other SFC Grants	350	1,336
	<b>10,961</b>	<b>16,872</b>

### 3 TUITION FEES AND EDUCATION CONTRACTS

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
FE Fees - UK	820	1,084
HE Fees - UK	1,461	1,728
SDS contracts	444	656
	<b>2,725</b>	<b>3,468</b>

### 4 OTHER INCOME

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
Residence and catering	342	376
European funds	159	15
Other income generating activities	1,323	1,575
Other income	274	316
	<b>2,098</b>	<b>2,282</b>

### 5 INVESTMENT INCOME

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
Other Interest Receivable	4	11
	<b>4</b>	<b>11</b>

## 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 2016 FTE</b>	<b>16 Months Ended 31 July 2015 FTE</b>
Teaching departments	161	165
Teaching support services	32	28
Administration	36	34
Premises	23	23
Catering and residences	8	8
Other Income-generating activities	18	17
Other staff	4	3
	<b>282</b>	<b>278</b>
<b>Analysed as:</b>		
Staff on permanent contracts	246	255
Staff on temporary contracts	36	23
	<b>282</b>	<b>278</b>

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
<b>Staff Costs for the above persons</b>		
Wages and salaries	8,296	10,186
Social security costs	655	759
Other pension costs	1,677	1,844
Restructuring costs	2	174
	<b>10,630</b>	<b>12,963</b>
<b>Analysed as:</b>		
Staff on permanent contracts	9,022	11,394
Staff on temporary contracts	1,227	1,017
Pension charge less contributions paid	379	378
Restructuring costs	2	174
	<b>10,630</b>	<b>12,963</b>

## West Lothian College

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
<b>Analysed as:</b>		
Teaching departments	6,412	7,998
Teaching support services	950	883
Administration	1,343	1,660
Premises	550	677
Catering and residences	171	217
Other income-generating activities	722	882
Other staff	101	94
Pension charge less contributions paid	379	378
Restructuring costs	2	174
	<b>10,630</b>	<b>12,963</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 Assistant 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>2016</b>	<b>2015</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>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	<b>3</b>	<b>3</b>	-	-
£100,001 to £110,000	<b>1</b>	<b>1</b>	-	-
	<b>4</b>	<b>4</b>	-	-

## West Lothian College

Key management personnel emoluments are made up as follows:

	<b>2016 (12 months) £'000</b>	<b>2015 (16 months) £'000</b>
Salaries	<b>304</b>	398
Benefits in kind	-	-
	<b>304</b>	398
Pension contributions	<b>53</b>	61
Total emoluments	<b>357</b>	459

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>2016 (12 months) £'000</b>	<b>2015 (16 months) £'000</b>
Salaries	<b>108</b>	142
Benefits in kind	-	-
	<b>108</b>	142
Pension contributions	<b>18</b>	21
Total emoluments	<b>126</b>	163

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

	<b>2016 (12 months) £'000</b>	<b>2015 (16 months) £'000</b>
Compensation paid to former post-holders	-	-
Estimated value of other benefits, including provision for pension benefits	-	-

### Overseas Activities

The following costs were incurred during 2015-16 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	69,840	-	69,840

## West Lothian College

### 7 OTHER OPERATING EXPENSES

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
Teaching departments	593	900
Teaching support services	349	238
Administration	1,276	2,222
Premises	993	1,655
Catering	165	217
Other income generating activities	591	653
Overspend on student support funds	-	-
Childcare fund costs	497	594
Other	252	559
	<b>4,716</b>	<b>7,038</b>

Other Operating Expenses (Administration) include:

Auditors Remuneration (including irrecoverable VAT)

- Internal audit	27	24
- External audit	13	19
Other services provided by:		
- Internal audit	-	1
- External audit	-	-
-		
	<b>40</b>	<b>44</b>

### 8 INTEREST PAYABLE

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
On bank loans, overdrafts and other loans	1	-
Pension finance costs	256	381
	<b>257</b>	<b>381</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 2015	19,747	1,738	562	22,047
Additions	35	-	11	46
Disposals	-	-	-	-
<b>At 31 July 2016</b>	<b>19,782</b>	<b>1,738</b>	<b>573</b>	<b>22,093</b>
<b>Depreciation</b>				
At 31 July 2015	680	12	561	1,253
Charge for Period	631	148	1	780
Disposals	-	-	-	-
<b>At 31 July 2015</b>	<b>1,311</b>	<b>160</b>	<b>562</b>	<b>2,033</b>
Net Book Value <b>At 31 July 2016</b>	<b>18,471</b>	<b>1,578</b>	<b>11</b>	<b>20,060</b>
Net Book Value At 31 July 2015	19,067	1,726	1	20,794
<b>Financed by: Capital Grant</b>	<b>18,471</b>	<b>1,578</b>	<b>11</b>	<b>20,060</b>

The College's land and buildings were independently valued by GVA James Barr as at 31 July 2015. This valuation has been incorporated into these financial statements. The basis of valuation adopted was depreciated replacement cost.



## West Lothian College

### 11 TRADE AND OTHER RECOVERABLES

	<i>Year Ended 31 July 2016 £'000</i>	<i>16 Months Ended 31 July 2015 £'000</i>
Trade Debtors	338	436
European Funding	(2)	183
Prepayments and accrued income	361	149
Amounts Owed by SFC	80	253
	<b>777</b>	<b>1,021</b>

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

	<i>Year Ended 31 July 2016 £'000</i>	<i>16 Months Ended 31 July 2015 £'000</i>
Trade Creditors	542	648
Taxation and Social Security	345	293
Accruals and Deferred income	714	605
Deferred Income – SFC capital grants	659	694
Deferred Income – SFC revenue grants	200	-
Amounts Owed to SFC	158	158
Unspent Student Funds	25	109
	<b>2,643</b>	<b>2,507</b>

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

	<i>Year Ended 31 July 2016 £'000</i>	<i>16 Months Ended 31 July 2015 £'000</i>
Amounts Owed to SFC	2,685	2,843
Deferred Income – SFC Capital grants	15,052	15,597
	<b>17,737</b>	<b>18,440</b>

## West Lothian College

### 14 MATURITY OF DEBT

SFC Loan is repayable as follows:

	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'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	1,895	2,053
	<b>2,843</b>	<b>3,001</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 2016 the amount outstanding was £2,842,866. 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  £'000</b>	<b>Early Retirement Provision  £'000</b>	<b>Other Provision  £'000</b>	<b>Year Ended 31 July 2016 £'000</b>
At 1 August 2015	3,642	3,384	-	<b>7,026</b>
Expenditure in the period	(604)	(202)	-	<b>(806)</b>
Additions in period	1,761	774	-	<b>2,535</b>
<b>At 31 July 2016</b>	<b>4,799</b>	<b>3,956</b>	<b>-</b>	<b>8,755</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 2016.

## 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 Retirement</i>	<i>I&amp;E Account Defined Benefit Pension</i>	<i>Total</i>
	£'000	£,000	£'000	£'000	£'000	£'000
At 31 July 2015	(206)	(175)	(3,001)	(3,384)	(3,642)	(10,408)
Total comprehensive income for the year	35	5	-	(774)	(1,157)	(1,891)
Transfer from Revaluation Reserve	190	-	-	-	-	190
Repayments of PFI loan	(158)	-	158	-	-	-
Payments for early retirement	(202)	-	-	202	-	-
<b>At 31 July 2016</b>	<b>(341)</b>	<b>(170)</b>	<b>(2,843)</b>	<b>(3,956)</b>	<b>(4,799)</b>	<b>(12,109)</b>

### 17 CASH AND CASH EQUIVALENTS

	<i>At 1 August 2015 £'000</i>	<i>Cash Flows £'000</i>	<i>Other £'000</i>	<i>At 31 July 2016 £'000</i>
Cash	348	249	-	<b>597</b>
Debt due within 1 year	(158)	158	(158)	<b>(158)</b>
Debt due after 1 year	(2,843)	-	158	<b>(2,685)</b>
	<b>(2,653)</b>	<b>407</b>	-	<b>(2,246)</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 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
STSS contributions paid	<b>694</b>	718
LPF Pension scheme:		
Contributions paid	<b>604</b>	748
FRS 102 (28) charge	<b>379</b>	378
Charge to the Statement of Comprehensive Income	<b>983</b>	1,126
<b>Total Pension Cost for the period within staff costs</b>	<b>1,677</b>	1,844

Contributions amounting to £107,000 (2015 £93,000) 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 2016 were £800,000 and employees' contributions totalled £196,000. The agreed contribution rates for future years are 18.3% for employers and range from 5.5% to 11.2% for employees, 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 2014 updated to 31 July 2016 by a qualified independent actuary.

	At 31 July 2016	At 31 July 2015
Rate of increase in salaries	4.4%	4.5%
Future pensions increases	1.9%	2.6%
Discount rate for scheme liabilities	2.4%	2.4%
Inflation assumption (CPI)	1.9%	-
Commutation of pensions – pre April 2009	50%	-
Commutation of pensions – post April 2009	75%	-

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

	Males	Females
Current pensioners	22.1 years	23.7 years
Future pensioners	24.2 years	26.3 years

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

	<i>Long term rate of return expected at 31 July 2016 (%)</i>	<b>Fair Value at 31 July 2016 £'000</b>	<i>Long term rate of return expected at 31 July 2015 (%)</i>	<b>Fair Value at 31 July 2015 £'000</b>
Equities	-	11,688	3.6%	8,947
Bonds	-	3,609	3.6%	2,440
Property	-	1,375	3.6%	1,220
Cash	-	516	3.6%	949
<b>Total fair value of employer assets</b>		<b>17,188</b>		<b>13,556</b>
<b>Weighted average expected long term rate of return</b>	<b>2.4%</b>		<b>3.6%</b>	
<b>Actual return on employer assets</b>		<b>3,076</b>		<b>1,764</b>

## 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 2016 £'000	16 Months Ended 31 July 2015 £'000
Fair value of employer assets	17,188	13,556
Present value of funded liabilities	(21,987)	(17,198)
<b>Net Pension Liability</b>	<b>(4,799)</b>	<b>(3,642)</b>

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

	Year Ended 31 July 2016 £'000	16 Months Ended 31 July 2015 £'000
<b>Amounts included in staff costs</b>		
Current service cost	983	1,126
Past service cost	-	-
<b>Total</b>	<b>983</b>	<b>1,126</b>

<b>Amounts included in Pension Costs</b>		
Net pension costs	138	174
<b>Total</b>	<b>138</b>	<b>174</b>

<b>Amounts recognised in Other Comprehensive Income</b>		
Return on pension assets	2,578	1,100
Experience gains arising on defined benefit obligations	172	901
Changes in assumptions underlying the present value of scheme liabilities	(3,390)	(2,272)
<b>Total</b>	<b>(640)</b>	<b>(271)</b>

## West Lothian College

<b>Movement in net defined benefit (liability) during year</b>	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
<b>Net defined benefit (liability) at start of period</b>	<b>(3,642)</b>	<b>(2,819)</b>
Movement in period:		
Current service costs	<b>(983)</b>	<b>(1,126)</b>
Employer contributions	<b>604</b>	<b>748</b>
Net interest on the defined liability	<b>(138)</b>	<b>(174)</b>
Actuarial gain or loss	<b>(640)</b>	<b>(271)</b>
<b>Net defined benefit (liability) at end of period</b>	<b>(4,799)</b>	<b>(3,642)</b>

### Asset and Liability Reconciliation

<b>Changes in fair value of plan assets</b>	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
<b>Fair value of plan assets at start of period</b>	<b>13,556</b>	<b>11,211</b>
Interest on plan assets	<b>498</b>	<b>664</b>
Return on plan assets	<b>2,578</b>	<b>1,100</b>
Employer contributions	<b>604</b>	<b>748</b>
Contributions by plan participants	<b>196</b>	<b>251</b>
Benefits paid	<b>(244)</b>	<b>(418)</b>
<b>Fair value of plan assets at end of period</b>	<b>17,188</b>	<b>13,556</b>

<b>Changes in the present value of defined benefit obligations</b>	<b>Year Ended 31 July 2016 £'000</b>	<b>16 Months Ended 31 July 2015 £'000</b>
<b>Defined benefit obligation at start of period</b>	<b>17,198</b>	<b>14,030</b>
Current service cost	<b>983</b>	<b>1,126</b>
Interest cost	<b>636</b>	<b>838</b>
Contributions by plan participants	<b>196</b>	<b>251</b>
Experience gains / losses on defined benefit obligations	<b>(172)</b>	<b>(901)</b>
Changes in financial assumptions	<b>3,390</b>	<b>2,272</b>
Benefits paid	<b>(244)</b>	<b>(418)</b>
<b>Defined benefit obligation at end of period</b>	<b>21,987</b>	<b>17,198</b>

## West Lothian College

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### 19 LOSSES AND SPECIAL PAYMENTS

Above SFC annual reporting requirements

	<i><b>SFC Requirement Per Instance</b></i>	<b>2016 Number</b>	<b>2016 £Total</b>
Debt write-off	£3,000	1	3,425
Cash losses	£3,000	-	-
Voluntary severance payments	£1,000	-	-
Compensation payments	£5,000	-	-

### 20 CAPITAL COMMITMENTS

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

	<b>2016 £000</b>	2015 £000
Committed but not contracted	-	-
Committed and contracted	20	55

These related to residual commitments in respect of the extension works to the Skills Workshop and Gym Hall areas completed during the year.

### 21 LEASE OBLIGATIONS

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

	<b>2016 £'000</b>	2015 £000
Other		
Expiring within one year	36	36
Expiring between one and two years	-	36
Expiring between two and five years	-	-
	36	72

### 22 CONTINGENT LIABILITIES

There were no contingent liabilities at Balance Sheet date.



## West Lothian College

### 23 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 Frank Gribben	University of Edinburgh	College Registrar
Mr Graham Hope	West Lothian Council	Chief Executive
Mr Ian McIntosh	Edinburgh Napier University	Assistant Principal

The value of the transactions due to/by the College for the twelve months ended 31 July 2016, and the amount outstanding at this date was as follows:

Organisation	Year ended 31 July 2016		16 months ended 31 July 2015	
	Total Value of Transactions £'000	Balance Outstanding £'000	Total Value of Transactions £'000	Balance Outstanding £'000
<b>Due to WLC</b>				
West Lothian Council	347	10	144	19
Edinburgh Napier University	293	76	374	2
<b>Due by WLC</b>				
University of Edinburgh	5	-	5	-
West Lothian Council	192	32	70	2
Edinburgh Napier University	2	-	1	-

The total expenses paid to or on behalf of the Governors during the year was £1,000; 3 governors (2015: £10,000 ; 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 Chairs of the Board received a salary in accordance with the directions issued by the Scottish Government. The total paid to the Chairs over the period was £13,000 (2015: £23,000)

## West Lothian College

### 24 FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary £'000	FE Discr'y £'000	EMAs £'000	Other £'000	<b>2015-16 Total £'000</b>	2014-15 Total £'000
Balance b/fwd	52	-	57	-	<b>109</b>	(27)
Allocations received in year	2,171	165	270	113	<b>2,719</b>	3,527
Expenditure	(1,889)	(359)	(319)	(113)	<b>(2,680)</b>	(3,279)
Repaid to SFC	(52)	-	-	-	<b>(52)</b>	-
College Contribution	-	-	-	-	-	-
Virements	(265)	194	-	-	<b>(71)</b>	(112)
<b>Balance c/fwd</b>	<b>17</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>25</b>	109

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.

### 25 CHILDCARE FUNDS

	<b>2015-16 £'000</b>	2014-15 £'000
Balance b/fwd	-	53
Allocations received in year	<b>426</b>	429
Expenditure	<b>(497)</b>	(594)
College contribution	-	-
Virements	<b>71</b>	112
<b>Balance c/fwd</b>	<b>-</b>	-

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

## West Lothian College

### 26 TRANSITION TO FRS 102 and the 2015 FE HE SORP

The year ended 31 July 2016 is the first year that the College has presented its financial statements under FRS 102 and the 2015 FE HE SORP. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the sixteen months ended 31 July 2015 and the date of transition to FRS 102 and the 2015 FE HE SORP was therefore 1 August 2014. As a consequence of adopting FRS 102 and the 2015 FE HE SORP, a number of accounting policies have changed to comply with those standards.

An explanation of how the transition to FRS 102 and the 2015 FE HE SORP has affected the College's financial performance is set out below.

Financial Position	Note	16 Months Ended 31 July 2015 £'000
<b>Net Assets under previous SORP</b>		10,377
Deferred capital grants	(a)	(16,187)
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>		<b>(16,187)</b>
<b>Total Net Liabilities under 2015 FE HE SORP</b>		<b>(5,810)</b>

Financial performance	Note	16 Months Ended 31 July 2015 £'000
<b>Surplus for the period after tax under previous SORP</b>		76
Unrealised surplus on revaluation of assets	(b)	4,598
Change to measurement of net finance cost on defined benefit plans	(c)	(281)
Actuarial loss in respect of pension schemes	(d)	(18)
<b>Total effect of transition to FRS 102 and 2015 FE HE SORP</b>		<b>4,299</b>
<b>Total comprehensive income for the year under 2015 FE HE SORP</b>		<b>4,375</b>

#### a) Deferred capital grants

The SORP gives colleges the option to apply either the accruals model or the performance model when accounting for government grants. The College has decided to account for

government grants by applying the accruals model under which deferred capital grants are reclassified as deferred income within creditors.

### **b) Surplus on revaluation of assets**

Surplus on revaluation of assets was previously recorded in the Statement of Recognised Gains and Losses (STRGL), a separate statement to the Income and Expenditure account. FRS 102 requires such gains to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

### **c) Change in recognition of defined benefit plan finance costs**

The net finance cost recognised in the Income and Expenditure account for the year ended 31<sup>st</sup> July 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount applied). The change has had no effect on the net assets as the measurement of the net defined benefit obligations has not changed. Instead the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

### **d) Presentation of actuarial gains and losses within Total Comprehensive Income**

Actuarial gains and losses on the College's defined benefit plans were previously presented in the Statement of Recognised Gains and Losses. All such gains and losses are now reported under FRS 102 to be presented within the Statement of Comprehensive Income, as movements in Other Comprehensive Income.

## **27 POST BALANCE SHEET EVENTS**

There have been no significant post balance sheet events.

## Appendix 1

### Accounts Direction

The following note is taken from the 2015-16 SFC Accounts Directions and has been included as required by SFC. It does not form part of the Financial Statements.

#### 2015-16 Accounts direction for Scotland's colleges and universities

- 1 It is the Scottish Funding Council's direction that colleges and universities comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.
- 2 Colleges and universities 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 2015-16 (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 2016.
- 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  
24 August 2016