West College Scotland

Report and Financial Statements

For The Year Ended **31 July 2023**

Contents

PERFORMANCE REPORT

Performance Overview

This overview provides the reader with highlights of the College's performance for the year to 31 July 2023. It contains a statement from the Principal, background to our purpose, operating environment, business model and objectives, and discusses the principal risks that the College faces.

1) Principal and Chief Executive's Statement on Performance

As one of the largest colleges of further and higher education in Scotland, West College Scotland is at the forefront of college provision across the sector, with the ambition, talent, and assets to help shape the future delivery of education and skills in the West of Scotland and beyond.

At West College Scotland, we transform people's lives, to equip them for the world of work, to provide them with the knowledge and skills that will enhance their lives and enable them to make a meaningful and valuable contribution to society. West College Scotland's expert and experienced team is dedicated to giving our 4,900 full-time and 18,300 part-time fundable students the best possible College experience. We offer a wide range of inspirational learning experiences from essential skills to graduate degree programmes.

Thanks to the efforts of our students and staff, the College continues to go from strength to strength, with high levels of student and staff satisfaction. We continue to adapt and improve our portfolio and our delivery of learning and teaching, to meet the needs of our learners, our other stakeholders, and the economy. Our relationships with schools, universities and businesses continue to grow, building great partnerships and opportunities that will serve us well into the future. Our adaptability, agility and resilience continue to shine through. We provide students with a blend of remote learning and on-campus delivery and ensure that students have access to digital equipment. A significant focus remains on providing a wide range of support services to our students including financial and health and wellbeing.

I am pleased that the College has returned a positive break-even position in 2022-23, this will help support future financial sustainability. It has been indicated by the Scottish Government's Resource Spending Review that the college sector is likely to receive flat cash budget settlements until 2026-27 therefore with no allowance for the effects of inflation. The College will work to mitigate these financial challenges and exploit exciting opportunities to ensure the sustainability of our services.

Amongst other things we will:

- Continue to play a pivotal role in economic recovery, realigning our portfolio, with closer collaboration with schools, universities, and external stakeholders to ensure our offering provides opportunity, encouragement, and engagement for all our students.
- Continue our investment in digital systems and capability to support flexible and adaptable learning models, with a particular focus on digital learning and digital equality.
- Continue to focus on optimising our resources, business processes and physical environments, all of which contribute to delivering a great student experience, greater attainment, high levels of student and staff satisfaction and, ultimately, sustaining the longer-term success and value of our College.

- Remain committed to the global climate emergency and will strive to reduce our carbon emissions and embed social responsibility across all our campuses and operations.
- Continue to focus on hybrid learning and working which will be driven by the needs of the College and our students, embracing a more service driven and flexible approach to delivery.
- Have a particular focus on the health and wellbeing of our students and staff, providing flexible and adaptable approaches to learning and working, and a strong sense of togetherness and belonging.

West College Scotland is committed to being student-centred in all that we do. Our aim is to transform the lives of our students through inspirational learning and teaching, enabling them to develop their full potential with life enhancing skills, knowledge, experience, and resilience that will shape their future success. In all of this, we are acutely aware of the need to exercise sound stewardship and achieve continuous improvement and value for money across all parts of the College.

2) Finance

In 2022-23 the College has generated a small adjusted operating surplus which is equivalent to a positive break even position despite the continued downward pressure on core public sources of finance and funding.

Attention is now turning to the financial outlook for 2023-24 and beyond. In preparing our 2023-24 budget we considered several different scenarios, in what is a very uncertain financial environment. The main sources of pressure are likely to be from:

- Receiving no additional budget to manage inflationary pressures i.e., flat cash SFC core grant.
- Continuing widening access agenda where universities have grown their student base reducing entrants to college education.
- Commercial income activities.
- Potential cuts in the Flexible Workforce Development Fund.
- Continuing inflationary cost rises including pay costs.

We have updated our financial forecast out to 2025-26 in line with the assumptions provided by the Scottish Funding Council as well as alternative assumptions on pay rises and inflationary increases supplied by the Finance Directors Network. Both sets of assumptions return large deficits for the College prior to mitigating actions. The College is required to take significant future action to balance the underlying positions each year and have a change programme in place to help manage this. As part of our financial planning process, actions are being considered and implemented which will try to mitigate the deficits over the planning period and ensure that the College can maintain and deliver its services to our students and wider stakeholders.

3) Legal Status

The College is incorporated under the Further and Higher Education (Scotland) Act 1992 and is funded directly by the Scottish Funding Council. The College is a charity (Scottish charity number SC021185) registered with the Office of the Scottish Charity Regulator and is recognised by HM Revenue and Customs as a charity for the purposed of Section 505, Income and Corporation Taxes Act 1988. As such, the College is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

4) Business Model and Operating Environment

Through its Regional Outcome Agreement with the Scottish Funding Council, the College responds to the Scottish Government's national policy drivers, while also collaborating with regional partners and local businesses in improving opportunities for the people of the West of Scotland, in helping the region's young people progress to work or higher education, and in supporting businesses through professional updating and workforce development.

In 2022-23 the College enrolled around 23,200 (2021-22: 21,300) fundable students, with approximate 21% (2021-22: 25%) studying full-time and the remaining 79% (2021-22: 75%) studying on a part-time basis. The College employed on average 787 FTE (2021-22: 863) staff across the range of its business activities.

The College is located within the West of Scotland and provides a wide range of education and training opportunities across the region to meet the needs of individuals, communities, and employers. The College's main (College-owned) centres are in Clydebank, Greenock (two sites) and Paisley with two leased community-based training centres across the region. The College's Estates Strategy recognises the need to maintain a regional presence, but also to differentiate provision at each campus to meet the differing needs of learners and employers. The Estates Strategy prioritises the improvement of the current College-owned sites, to meet the changing needs of learners, staff, and other stakeholders.

5) Vision and Values

In 2023 as part of the re-evaluation of the College Corporate Strategy, the College undertook a series of workshops and consultations to explore our current and potential future Vision and Values. All staff and Board members were invited to take part, with hundreds taking up the opportunity to participate and contribute.

The outcome was a clearly defined Vision statement, complemented with clear, understandable values that will be woven into the physical, virtual, and behavioural infrastructure of the College. This will offer all stakeholders the opportunity to hold the College accountable to those statements and values:

Our Vision

Unlocking potential. Enabling Success

Our Values

STUDENT CENTRED – Placing the learning, welfare and wellbeing of our students at the heart of everything we do.

TRUST – Behaving in a manner that attracts people's trust by holding ourselves accountable, embracing our responsibilities and being aware of the consequences of our actions. It means being honest, considerate of ourselves and those around us, while displaying integrity.

RESPECT – Ensuring our College community behaves with openness and is mindful of how actions impact those around us and the environments we live and work in. It means accepting people as they are and for who they are, and treating all people the same - regardless of background, race, religion, gender, sexual orientation, age or ability.

INNOVATIVE – Choosing to undertake change and development to create value for our students, staff and partners. It means acting without constraint of what has been done in the past or by what others are doing today.

6) Strategic Priorities

Learning and teaching is at the heart of everything we do. We recognise that delivering a relevant curriculum and an outstanding student experience is critical to our success as a College. This was the third year of operation under the College's Corporate Strategy 2019-2025.

The Corporate Strategy clearly defines the College's four strategic priorities and their accompanying strategic outcomes:

PERSONALISATION

We will deliver the skills solutions that employers are looking for and the learning outcomes that students want, in a way that suits individual students.

COLLABORATION

We will build the immersive relationships and make the connections that enhance value for customers and stakeholders by creating learning pathways, developing new delivery partnerships, and integrating learning into wider local strategies.

AGILE AND ADAPTIVE

We will develop the capability to respond to shifts in demand and seize new opportunities quickly' putting in place specialist delivery capabilities.

DIGITAL

We will ensure that the College has the digital capacity and capabilities to deliver in a modern economy.

7) Key Issues and Risks

The Board of Management has an established Strategic Risk Register, which considers matters which may impact on the College's ability to deliver on its strategic priorities. Risks and mitigating factors are kept under review by the Executive and Senior Management Team and reported to the Board of Management. The Audit & Risk Committee undertake the oversight function of the College risk management process. The risks are categorised alongside the strategic priority they most impact on.

The Board identifies the principal risks to the achievement of the College strategic priorities and what the remedial and preventative controls are in place to reduce the likelihood/impact of the risk as being:

Strategic Risk (as noted in the Risk Register	Mitigation
Financial Sustainability There is a risk that the lack of funding afforded to the College by the SFC will result in a diminution in the education provision; ability to deliver strategic change and	• Work closely with the sector Finance Director group and Colleges Scotland to highlight to Scottish Funding Council (SFC) the impacts and risks facing the sector. • Continual review of curriculum delivery and commercial courses as well as workforce planning across the College. • Close monitoring of annual budget position, seeking actions to recover shortfalls.

Strategic Risk (as noted in the Risk Register	Mitigation
maintain operational delivery at current levels.	• Refreshed the 3-year Financial Forecast Review based on the SFC assumptions and the sector finance director assumptions. Outlining and progressing actions required to break even for 2023-24 and beyond. • Continue to promote and engage with businesses on the achievement of Flexible Workforce Development Fund to support businesses accessing funding. • Engage in and access new funding streams to maximise outputs.
Maintaining Estate Failure to deliver Estate Strategy 2016-2026 objectives due to business cases for development of estate being delayed, with this having a resultant negative impact on the ability of the College to recruit students and retain staff.	• Continue to rationalise and maintain existing estate per the Estates Strategy. • Continue to engage with SFC with regards to campus rebuild / refurbishment. • Appropriate use of professional expertise. • Maintain dialogue with SFC to obtain additional longer-term estates maintenance funding. • Proactively seek alternative sources of funding to support estates refurbishment. • Build sustainability into all that we do.
Cyber Security There is a risk that the College IT estate is at risk due to a failure to fully and continually mitigate the risk of cyber-attack which will result in a failure of the College to continue normal operation on a day-to-day basis for all staff and students.	• Fully embed the Scottish Government Cyber Resilience Framework within the College. • Consideration of strength of key computer controls addressing the impact of unauthorised entry at each level of IT infrastructure. • Regular penetration testing of all entry points to the College infrastructure and of core College applications to ensure vulnerabilities are assessed and addressed across full infrastructure. • Migrate core systems and data to secure cloud infrastructure.
Falling student numbers There is a risk that the number of students attracted to the College continues to fall due to additional University places becoming available leading to an inability of the organisation to claim all the allocated SFC funding.	• Requirement to attract students to the College through many channels. • Streamlining the application process to ensure when students apply to the College their experience is a positive experience from the start of their College journey to the end. • Investment in student spaces within the campuses to ensure when students come to College the environment is supportive of learning both in and out with the teaching space.
Alternative Income Growth An inability to generate consistent levels of alternative income or to grow alternative	• Engage with SFC to continue to secure FWDF funding. • Medium to long term review of product offering and adjust to support changing needs of clients.

Strategic Risk (as noted in the Risk Register	Mitigation
income streams, due to the impact of external factors affecting College delivery plans resulting in a loss of income and failure to deliver College Regional Outcome Agreement objectives	• Increase in our leadership focus on increasing our relationships and activities with the private, public and third sectors to understand their future skills needs and to develop strong mutually beneficial relationships. • Work with SDS to introduce new MA programmes as required by employer demand. • Creation of sales plans per faculty area directing focus on target markets.

The College has also considered specific risks in connection with cyber security and IT outages. Mitigation measures include IT Strategy, internal audits, robust systems testing, appropriate physical security and use of preventative technologies, resilient architecture of links between sites, monitoring of threat levels through partners, use of cloud-based repository, and staff training.

The College's overall risk management process and internal control review are noted in detail within the Corporate Governance Statement.

8) Performance Summary and Overview

For 2022-23 the College was allocated a core activity target of 157,235 credits by the Scottish Funding Council. The College delivered 152,460 credits (97%) with the shortfall of 4,775 credits due to:

- 3,965 core credits - August recruitment falling below target and the inability to make up the full shortfall in year. The lower August recruitment is attributed to a combination of factors which impacted on recruitment for many Scottish colleges. This included reduced progression from 2021-22 courses due to COVID and industrial action; increased University recruitment for Scottish students who would have been expected to attend HE College courses; cost of living pressures on prospective students; availability of employment and continuing COVID uncertainties about a college learning experience.
- 810 Foundation Apprenticeship (FA) credits – Despite close working with Developing the Young Workforce, schools, and local authorities to promote FA opportunities for school pupils, we failed to achieve the target number set by SFC and to recruit to viable class groups.

The SFC have confirmed that the 2% credit tolerance introduced in 2021-22 will continue to be applied from 2022-23 onwards. This tolerance means that the College is not required to repay 3,145 core credits. All credits associated with Foundation Apprenticeships will be repaid in full as they are not subject to the 2% tolerance. The College has provided for the required repayment of credits over the 2% tolerance level.

The College has achieved £4.5m of commercial training income for 2022-23 (2021-22: £4.6m). This income is generated from several sources and has been impacted by increasing competition from external commercial training companies and the cost of living crisis. The College considers the maintenance of income levels to be a positive step in these challenging times.

The College has developed a range of performance measures that are used to report progress to the Board and the Senior Management Team on a regular basis throughout each year. The College has identified 18 key performance indicators (KPIs) and targets that are fundamental to delivering the College's Corporate Strategy. The table below highlights the movement between 2021-22 and 2022-23 and sets out the longer term target:

	KPI	***Target 23-24***	**Actual 2022-23**	**Actual 2021-22**	**Movement**
1	Student Activity (total credits)	*140,450*	152,460	157,663	↓
2	Performance against core credit activity target	*100.0%*	97.0%	96.7%	↑
3	% of students overall, satisfied with their college experience	*96%*	95%	88%	↑
4	% of full-time FE enrolled students achieving a recognised qualification	*67%*	67.3%	63.3%	↑
5	Early withdrawal full-time FE	*	5.7%	9.4%	↑
6	% of full-time HE enrolled students achieving a recognised qualification	*69%*	59.5%	56.9%	↑
7	Early withdrawal full-time HE	*	6.5%	6.6%	↓
8	% of credits delivered to students in 10% most deprived postcode areas	*26%*	26%	24%	↑
9	% of credits delivered to care experienced students	*9.0%*	9.1%	9.2%	↓
10	Number of senior phase age pupils studying vocational qualifications	*2,200*	2,200	1,942	↑
11	Percentage of staff sickness absence	*4.0%*	4.0%	4.4%	↓
12	Percentage of staff turnover	*15.0%*	19.2%	12.9%	↑
13	Adjusted operating surplus/(deficit)	*£31,000*	£400,000	£500,000	↓
14	Free cash days at year end	*5*	10	7	↑
15	Current assets : current liabilities	*0.89*	0.99	0.97	↑
16	Staff costs as a % of total cost	*81.1%*	82.6%	83.2%	↓
17	Percentage of non-SFC income	*13.6%*	13.6%	14.5%	↓

*Early withdrawal rate to be rebased to reflect withdrawal at 12.5% of year 23/24, 25% 22/23.

The target KPIs will be reviewed as part of the College 2023-24 annual planning cycle and based on the work to date the College believes that it remains on course to achieve the target KPIs.
To note overall success rates for students may be impacted by the EIS action short of strike, these will be shared and updated in the next set of WCS accounts.

Performance Analysis

West College Scotland in conjunction with key stakeholders draws up an annual Regional Outcome Agreement, which is signed off by SFC. This makes up the basis of the College's activity in terms of the volume and subject area of credit activity agreed with SFC, along with outlining the College's role within the key priority areas which are set by Scottish Government. The College also develops annually a financial plan including commercial delivery as well as SFC funded activity. Each department produces an operational plan outlining their key objectives, in conjunction with the Annual Plan and overarching College Corporate Strategy, Regional Outcome Agreement and key college strategies and plans, linking in with external stakeholders.

Overall activity is managed by the Senior Management Team at fortnightly meetings where student activity targets are monitored along with performance against budget and achievement of planned activities for the year. Financial performance is also monitored quarterly at both the Corporate Development Committee and the Board of Management. The Board of Management are informed of the progress made towards key targets and performance, through individual business reports and the Chief Executive's Report.

Key points to note:
The College has not been able to meet its targeted level of student activity due in part to (a) the economic conditions facing those wanting to come to College whereby they are faced with taking paid employment or undertaking a course of study; and (b) the increasing level of competition from universities and external commercial competitors. The College is satisfied that it has met all the demand in the area it serves. 95% of the students who attend West College Scotland were satisfied with their experience and the College has continued to serve some of the hardest to reach students and actively engage with school pupils who are potential future students at the College.

The level of external income has slightly reduced resulting in a greater reliance on public funding. The level of commercial income has been maintained despite significant external competition. The College has seen a reduction in HE tuition fees which have suffered the greatest impact due to the priority of the Scottish Government for students to attend a university.

There has been an increase in the level of staff turnover primarily because of the voluntary severance programmes now being undertaken on an annual basis. In 2022-23 the College has had 50 staff leave on a voluntary basis. Despite the increasing level of change being experienced by the staff, the level of sickness has remained at a consistent level.

The College has maintained a strong balance sheet with a current ratio of just under one and free cash of ten days. However, this position is weakened going forward with the level of free cash falling to five days by the end of 2023-24 based upon the College being able to make material savings to balance the budget.

9) Financial Review Summary

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 Edition; the Financial Reporting Standards FRS 102 and the Government Financial Reporting Manual (FReM) issued by HM Treasury and in accordance with applicable Accounting Standards. They conform to the SFC Accounts Direction and other guidance issued by the Scottish Funding Council.

The challenges identified in the Audit Scotland Report 'Scotland's colleges 2022' have continued to have an impact on the financial position of the College.

The Statement of Comprehensive Income and Expenditure shows a surplus of £20.8m for the year compared to the 2021-22 surplus of £19.7m. If the £1.0m gain (2021-22: £26.0m gain) on the local government pension scheme is removed and the Unrealised surplus on revaluation of land and buildings of £22.4m, the College recorded a deficit on continuing operations of £2.6m (2021-22: £6.3m deficit).

In line with Audit Scotland guidance, the College key financial metric is the adjusted operating position. For 2022-23 the adjusted operating position was a surplus of £0.4m compared to 2021-22 £0.5m surplus. The College has benefited from several one-off increases in funding primarily from the SFC which has allowed it to undertake a significant voluntary severance programme throughout the year. In addition, the College has worked hard to generate additional income streams whilst containing both staff and non-staff costs. Most of the costs savings relate to the impact of the 2021-22 voluntary severance schemes which delivered more savings in 2022-23 than budgeted for. All these factors have resulted in the small 2022-23 adjusted operating position.

Income

Income at £64.4m is higher by £4.0m in comparison to 2021-22 as a result of an increase in funding body grants which increased £4.0m on the previous year.

SFC recurrent grant funding has increased in line with the grant allocation. Although the College was unable to meet its overall credit target, in line with the SFC October 2022 guidance the College will require to repay £0.5m not the full amount of £1.4m. The repayment of £0.5m has been accounted for in full. The College has also benefited from additional European Social Fund income (£0.4m) provide in part by the SFC and through the release of prior year provisions which are no longer required. Most of the increase in SFC income has resulted from the release of estate maintenance funding £3.6m, in line with the completion of project works.

Tuition fees and education contracts, which includes international and commercial income, decreased by £0.8m due to a loss of HE tuition fees as students chose to study at university rather than college. This loss of tuition fees was partially countered by gains in international income.

Other grant income remained steady at £0.7m and represents receipt of development grants which are expended in year on equipment and additional staff.

Other operating income was £0.1m higher than 2021-22. The College has seen an increase of £0.1m in the level of catering income with the return of staff and students to in person learning. The level of catering income has not yet matched pre-pandemic levels.

Expenditure
Expenditure at £67.0m is higher by £0.3m in comparison to 2021-22. This was the result of a significant decrease in staff costs following recent voluntary severance programmes that were countered by a greater increase in maintenance costs associated to replacing life expired roofs.

Staff costs, excluding pension and exceptional staff costs, decreased by £3.1m due in the main to the impact of the ongoing voluntary severance programme operated by the College. The voluntary severance programme incurred £0.9m of exceptional staff costs. By the 31 July 2023, the voluntary severance scheme has resulted in 31.2 FTE / 50 headcount (2021-22: 36.7 FTE / 44 headcount) staff members have agreed to leave the College.

Other Operating Expenses increased by £4m compared to 2021-22 due to the increased maintenance costs associated with the refurbishment / replacement of several of the Paisley campus buildings roofs. The costs associated with these works were in the main met from the SFC estate maintenance funding with other College resources being used to make up the shortfall. Overall, all other costs remained on a par with the prior year through the strict application of budgetary control.

Balance Sheet
Fixed assets at the year-end totalled £124.8m, a net increase of £18.2m compared to the prior year. This increase is the net result of the full valuation of all College land and buildings. Depreciation charges of £4.6m were incurred during the year which are consistent with the previous year.

Net current liabilities decreased by £0.3m due to a reduction in the amount due to be repaid to the SFC either in the form of estate maintenance or core grant funding.

On 31 July 2023, the College had an accumulated surplus of £8.4m (2021-22: £6.9m surplus) on its Income and Expenditure Reserve. In complying with FRS102 (Retirement Benefits), the Strathclyde Pension Fund asset was capped at a £0.1m (2021-22: £0.0m) which is included in the Income and Expenditure Reserve.

Cash Flow
The number of free days cash has increased due to the year-end cash balance being significantly higher than expected. This matter is further discussed in the Treasury Management section.

10) Cash Budget for Priorities

Following their reclassification as central government bodies from 1 April 2014, colleges are now also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities. Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities.

Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed below:

	2022-23 £'m	2021-22 £'m
Revenue Priorities		
Contribution towards 2015-16 cost of living award	0.6	0.6
ICT and estate maintenance costs	0.7	0.7
Total impact on operating position	**1.3**	**1.3**
Capital Priorities		
Loan repayments	0.3	0.3
Total capital priorities	**0.3**	**0.3**
Total cash budget for priorities	**1.6**	**1.6**

11) Adjusted Operating Position (AOP)

The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items out with the control of the College. The AOP is therefore designed to smooth any volatility in reported results arising from FRS102 and to recognise that some of the reported costs do not have an immediate cash impact on the College. The College's Underlying Operating Position can be illustrated as:

	Note	2022-23 £'m	2021-22 £'m
Deficit before other gains and losses		**(2.6)**	**(6.3)**
Add back:			
Depreciation net of deferred capital grant releases	1	3.2	3.2
Pension adjustment – Net service costs	2	0.6	3.4
Pension adjustment – Net interest costs	3	0.0	0.5
Deduct:			
Pension adjustment – Pension interest receivable	4	(0.5)	0.0
Revenue funding allocated to loan repayments	5	(0.3)	(0.3)
Adjusted operating surplus		**0.4**	**0.5**

The underlying position for 2022-23 has been approved by SFC.

Commentary on adjusting items:

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

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

Note 3: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets. These are non-cash adjustments.

Note 4: The increase in the discount rate used in assessing the year end pension asset/liability has resulted in the College being allocated an element of interest. This is a non-cash adjusting item.

Note 5: The loans payments and the unfunded pensions payments are not reflected in the SOCI therefore this amount is adjusted.

12) Taxation Status

The College has been entered into the Scottish Charity Register, and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue and Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

13) Treasury Management

Treasury management is the administration of the College's cash flows and banking; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College's treasury management arrangements are governed by the College's Financial Regulations, which are compliant with the SFC Financial Memorandum, as are the College's borrowing arrangements. Following reclassification on 1 April 2014 the College is unable to enter new loan arrangements without prior approval from the Scottish Funding Council.

On 31 July 2023, there was a £11.1m cash balance. The cash balance on 31 July 2023 is higher than would normally be anticipated at the year-end as we have carried the following balances over from 2022-23 to be paid during 2023-24:

- SFC grant clawbacks mainly for student support underspend (£1.7m).
- Potential liability payments and creditor payments for goods and services received in 2022-23 and to be paid during 2023-24 (£5.0m)
- Project funds carried forward due to the timing of spend (£2.8m).

This means that the underlying year end cash balance was £1.5m, which the College contends is sufficient for working capital requirements.

14) Supplier Payment Policy

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes are handled as quickly as possible. Supplier payment runs are completed fortnightly future paying all invoices due and those falling due in the next 2 weeks to ensure all payments are made within 30 days unless the invoice is contested, or alternative terms have been arranged. Suppliers' invoices were paid in 20 days in the year to 31 July 2023 (2021-22: 17 days). The College did not make any late interest payments during the year.

15) Sustainability Report

Sustainability Strategy

The October 2022 Board of Management approved the Sustainability Strategy which sets out a clear vision of how the College plans to contribute towards addressing the global climate challenge. At the heart of the strategy is the ambition for West College Scotland to be one of the most sustainable colleges in Scotland. We will show leadership in demonstrating and promoting all forms of environmental, social, and economic sustainability at a local, regional, and national level.

Report on progress made during 2022-23

The College acknowledges the importance of environmental issues and sustainability, and endeavours to consider these matters as part of its ongoing decision-making process. Its environmental responsibilities as a public body, supports the national outcome to 'value and enjoy our built and natural environment, protect it, and enhance it for future generations.' All Board and Committee papers now include a section on Environmental Impacts to highlight the impacts of strategic decisions. This process will be rolled out to College papers as well.

The College has created a Sustainability Oversight Group chaired by the Principal and which has membership from both staff, student, and union representatives. The Group met quarterly through the year and implemented the following actions:

- Undertaken a sustainability audit of the curriculum to enable the College to embed sustainability within all teaching areas.
- Organised a successful College wide campaign of events as part of the Global Sustainable Development Goals to raise awareness of sustainability further and to educate the College community.
- Working in partnership with Developing the Young Workforce as part of the Climate Hero Programme, the College worked closely with a local secondary school to provide work experience around sustainability and to share ideas on best practice.
- Implemented a Heating and Cooling Policy which will see the heating being switched off from May to October to assist in reducing the College gas usage and its biggest carbon emitter.
- Continuously explore opportunities to highlight all the great work at the College undertakes via internal platforms, social media, and award applications.
- Actively pushing forward estates projects with sustainability at the heart of to make a conscious effort to reduce carbon emissions through a reduction in fossil fuel and energy usage.

Section 44 of the Climate Change Act places duties on public bodies which requires them to:

- contribute to carbon emissions reduction targets.
- contribute to climate change adaptation.
- to act sustainably.

As part of the above duties, the College submitted a seventh Annual Climate Change Report. This report covered the year to 31 July 2022 and submitted in advance of the 30 November 2022 deadline. The College has reduced the level of carbon dioxide emissions by 2,415 tonnes or 46% (excluding the new reporting requirement relating to procurement emissions) during the year to 31 July 2022 compared to the 2014-15 base year.

Activities to be undertaken during 2023-24

This year the College plans to review greener alternatives to enable our buildings to operate more efficiently and to reduce our carbon emissions in helping to meet the College Net Zero target by 2040 or before. With this in mind, we are planning to:

- Consider connection to the Clydebank District Heating System which will considerably reduce gas emissions.
- Explore funding opportunities to support proposed green projects which see a full campus consideration of how fabric, heat and light energy options could be exercised to provide the building utility requirements.
- Work with project teams to look at further improvement of buildings to better utilise space and to run them as efficiently as possible.
- Work with the Student Association around green initiatives and planned events.
- Submit our eighth Annual Climate Change Report by 30 November 2023.

The College will continue to promote sustainability through various channels such as sustainability portal, newsletters, regular communication via marketing, social media platforms and events.

Compliance with the Climate Change (Scotland) Act 2009

West College Scotland fully complies with all aspects of the Climate Change (Scotland) Act 2009 and the reporting requirements of the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015. The College submits reports on an annual basis in line with requirements.

16) Estate Strategy

The College Estate Strategy 2016-2026 addresses emerging and future needs of both student and staff bodies. The College is based at three main campus locations in Clydebank, Greenock and Paisley and has continued to invest in the priority maintenance of its buildings to improve the teaching and learning environment as well as the underlying fabric of the estate. Our vision is to develop an estate that is fit for purpose, technologically advanced, future proofed, sustainable, and cost efficient that is responsive in meeting the needs of both current and future students.

The key College Estate Strategy challenges identified by the 2019 condition survey of the College estate, and recognised by the Scottish Funding Council college sector national condition survey of December 2017, include:

- Challenges continue to exist in relation to fitness for purpose of our estate.
- A need to invest £42m over the next 5 years to bring our existing operational buildings up to a suitable condition and required standard and considering the highest maintenance priorities.
- Over the next 20-year period a total of £153m will be required to maintain the current College estate in a suitable condition and to the required standard to undertake learning and teaching.
- Significant investment is required in Greenock as a high priority, with expenditure of £21m being necessary over a 5-year period to ensure our buildings are in the condition expected of a modern teaching and working environment. It had been estimated in 2021 that to replace our existing Greenock facilities could require investment of up to £120m, there is currently a lack of funding to support such an initiative so the College are considering what steps and funding means can be pursued to ensure the provision of further education can be maintained into the future in Inverclyde.

- Within Paisley there is also a need for significant investment. Funding is required as a priority, with expenditure of £17m being identified as necessary simply to maintain existing buildings in an acceptable condition over the next 5-year period. There is a need for investment in a flexible, environmentally sustainable, and modern campus, and it is estimated that replacing and upgrading our existing Paisley facilities would require an amount in the region of £100m. The College are currently pursuing a number of lower cost but equally effective options to ensure continuity of education.
- The Clydebank campus, which is now 14 years old, has a need for investment of £5m over the next 5-year period to maintain facilities at the required level.

Whilst the College are doing everything they can to maintain properties into the longer term it does become more expensive to meet ongoing maintenance needs especially in relation to mechanical and electrical works required which can absorb disproportionate amounts of budget.

The delivery of the Estate Strategy is overseen by the Vice Principal Operations and supported by the Estates Management Team. The Corporate Development Committee retain ongoing oversight of the Estate Strategy implementation and the Board of Management receives an annual update on the implementation of the Strategy. Given the potential implications of the global pandemic on the future estate needs, the College has undertaken to review and refresh the Estate Strategy. Prior to this review being undertaken, the College is looking to the SFC to provide strategic guidance, and this is anticipated to be provided through the publication of the SFC Infrastructure Strategy. Once this strategic direction is available the College will be best placed to review and refresh its own Estate Strategy, likely to be during the latter half of 2024.

17) Going Concern

The Balance Sheet on 31 July 2023 shows net current liabilities of £0.2m (2021-22 £0.5m) and Total Net Assets of £93.0m (2021-22 £72.2m). The SFC has advised the College of expected funding levels for 2023-24 and the Board has approved the 2023-24 budget and forecast for 2024 to 2026 on that basis. The budget and financial forecast indicates that the College will operate to an annual adjusted operating break-even position, based on the assumption that the required staff and non-staff cost reductions can be achieved.

The comments on pages 29 and 30 to these financial statements outline the Board's assessment of going concern. Accordingly, the Board considers that it is appropriate to consider that the College is a going concern and these financial statements have been prepared on that basis.

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

Elizabeth Connolly
Principal and Chief Executive

18) Professional Advisors

Financial Statement Auditors
Azets Audit Services, Titanium 1, King's Inch Place, Renfrew, PA4 8WF

Student and SFC Credit Funding Auditor
Wylie & Bisset LLP, 168 Bath Street, Glasgow, G2 4TP

Internal Auditor
Wylie & Bisset LLP, 168 Bath Street, Glasgow, G2 4TP

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

Solicitor
Anderson Strathern, 1 Rutland Court, Edinburgh, EH3 8EY

ACCOUNTABILITY REPORT

The Accountability Report comprises the Corporate Governance Report and the Remuneration and Staff Report and is signed by the Chair and the Principal.

Corporate Governance Report

19) Director's Report

The undernoted individuals were Members of the Board of Management during the year and up to the date of signing this report:

Name	Status of Appointment	Interest (Employer)	Date Appointed / Reappointed	Term End Date	Date Resigned
W. Hatton	Non-Executive Regional Chair	Business Consultant	3 March 2020	2 March 2024	N/a
E. Connolly	Principal and Chief Executive	Principal, West College Scotland	1 September 2018	Ex officio	N/a
D. Bayley	Support Staff Member	West College Scotland	14 June 2021	13 June 2025	1 August 2023
R. Binks	Co-opted	Corporate Director of Education, Communities and Organisational Development, Inverclyde Council	1 March 2023[1]	29 February 2024	N/A
G. Bold	Non-Executive	Workplace Pensions Director Scottish Widows	1 February 2021	31 January 2025	19 June 2023
H. Cameron	Non-Executive	Head of Rail Business Management Unit Transport Scotland	1 September 2023	31 August 2027	N/A
T. Dillon	Non-Executive	Senior Programme Manager Skills Development Scotland	1 September 2023	31 August 2027	N/A
M. Gillan	Teaching Staff	West College Scotland	4 October 2021	12 September 2025	24 August 2022
M. Hamilton	Co-opted	Employment Facilitator	1 Nov 2022[2]	31 October 2023	N/A
G. Hunt	Non-Executive	College Development Network, managing the Research and Enhancement Centre.	1 February 2021	31 January 2025	N/A
L. Johnston	Non-Executive Vice Chair of Board	Business Strategy Manager, North Lanarkshire Council	1 January 2021[3]	31 December 2024	N/a
J. Leburn	Non-Executive	Principal Consultant of Exponentiate.uk	1 January 2021[4]	31 December 2024	N/a
R. Leitch	Non-Executive	Operations Director, Glasgow Airport	1 December 2021	30 November 2025	N/A
G. Lyall	Non-Executive	Retired	1 February 2021	31 January 2025	31 December 2023
D. Mark	Co-opted	Retired	1 March 2022[5]	28 February 2023	25 November 2022

[1] Re-appointed for 1 year.
[2] Re-appointed for 1 year.
[3] Re-appointment
[4] Re-appointment
[5] Re-appointed for 1 year

Name	Status of Appointment	Interest (Employer)	Date Appointed / Reappointed	Term End Date	Date Resigned
A. McGrath	Student Member	College Student Association	1 August 2021[6]	31 July 2023	25 May 2023
F. McKerrell	Non-Executive Senior Independent	Lawyer	1 December 2019	30 November 2023	30 November 2023
J. McKie	Non-Executive	Retired	1 December 2021	30 November 2025	N/A
D. McMahon	Non-Executive	Diageo	1 February 2022	31 January 2026	N/A
S. Nagy	Student Member	College Student Association	1 August 2022	31 July 2023	N/A
M. Newlands	Non-Executive Cooptee	Head of Partnerships, Scottish Enterprise	1 Feb 2019 1 Feb 23[7]	31 Jan 23 31 Jan 24	30 May 2023
J. Couto-Phoenix	Non-Executive Member	Head of Skills and Talent, Sustainable Aquaculture Innovation Centre	1 December 2022	30 November 2026	N/a
K. Prele	Student Member	College Student Association	1 July 2023	28 June 2024	N/A
G. Rice	Teaching Staff	West College Scotland	10 October 2022	9 October 2026	N/a
J. Russell	Non-Executive	Retired	1 December 2022	30 November 2026	N/a
F McLaren	Non Teaching Staff	West College Scotland	9 October 2023	8 October 2027	n/a
E Cselik	Student Member	College Student Association	9 October 2023	8 October 2027	n/a

The Secretary to the Board was S. Gordon until the end of November 2022 then S. McDonald was appointed to the position of Governance Manager as from July 2023.

In addition to the Principal and Chief Executive, other members of the Executive Team who can influence the decisions made by the College are:

- Stephanie Gunn – Vice Principal Educational Leadership
- Amy McDonald - Vice Principal Operations

Details of transactions with members of the Board are given in Notes 28 and 29 to the financial statements.

The Board of Management has formally constituted several committees with terms of reference. These Committees act with delegated authority. Membership of key Committees during the year to 31 July 2023 is as follows:

- Audit & Risk Committee
  - Chair — G. Bold / G Lyall (from Oct 2022 to Dec 2023) / R Leitch (from Jan 2024)
  - Vice Chair — G. Lyall / R Leitch (from Feb 2023) / J Russell (from Jan 2024)
  - Members — J. Russell (from Dec 2022), G. Bold (from Oct 2022 to June 2023), T Dillon

[6] Re-elected 1 August 2022
[7] Re-appointment as co-optee at 1 Feb 2023

- Learning, Teaching and Quality Committee
  - Chair — M. Newlands (to 31 Jan 2023)/ G. Hunt (from Feb 2023)
  - Vice Chair — G. Hunt / F McKerrell (from Feb 2023) / J McKie (from Dec 23)
  - Members — G. Rice, K Prele (July 2023), J. Couto-Phoenix (Dec 22) R. Binks (co-opted), M. Hamilton (co-opted to 31 Oct 23)

- Corporate Development Committee
  - Chair — J. Leburn
  - Vice Chair — D. McMahon
  - Members — D. Mark (co-opted / resigned Dec 2022), L Johnston, J McKie (to 30 Nov 23), D Bayley (resigned Aug 2023), H Cameron, K Perle, F McLaren, M Newlands (co-opted from 1 Feb to 30 May 23)

- Remuneration Committee
  - Chair — L. Johnston
  - Vice Chair — M. Newlands / J Leburn
  - Members — G. Hunt (from Feb 2023), W. Hatton, G. Lyall (to Dec 2023), J. McKie. R Leitch (from Jan 24)

- Nominations Committee
  - Chair — W. Hatton
  - Vice Chair — F. McKerrell
  - Members — L. Johnston, J. Leburn, G. Rice (from July 2023), D. Bayley (to June 2023), K. Prele (from July 2023), G. Hunt (from Feb 2023), G. Lyall (to Dec 2023), J Couto-Pheonix (from Dec 2023), R Leitch (from Jan 2024)

Board Member attendance at Board and Committee meetings for the year to 31 July 2023 is as follows:

Board Member	Board	Audit & Risk	Learning, Teaching & Quality	Corporate Development	Remuneration	Nominations
W. Hatton	5 of 5	-	3 of 4	3 of 4	2 of 2	1 of 1
L. Connolly	5 of 5	-	3 of 4	2 of 5	-	-
L. Johnston	3 of 5	-	-	5 of 5	2 of 2	1 of 1
A. McGrath	3 of 4	-	1 of 3	-	-	1 of 1
D. McMahon	4 of 5	-	-	5 of 5	-	-
D. Bayley	2 of 5	-	-	0 of 5	-	0 of 1
G. Rice	3 of 5	-	1 of 4	-	-	0 of 1
G. Hunt	5 of 5	-	4 of 4	-	1 of 1	1 of 1
G. Bold	1 of 3	5 of 5	-	-	0 of 1	-
G. Lyall	4 of 5	5 of 5	-	-	0 of 1	0 of 1
J. Russell	4 of 4	3 of 3	-	-	-	-
J. McKie	4 of 5	-	-	3 of 5	2 of 2	-
J. Couto-Phoenix	4 of 4	-	1 of 2	-	-	-

Board Member	Board	Audit & Risk	Learning, Teaching & Quality	Corporate Development	Remuneration	Nominations
J. Leburn	4 of 5	-	-	5 of 5	2 of 2	1 of 1
M. Newlands	2 of 2	-	2 of 2*	0 of 2**	1 of 1	-
R. Leitch	5 of 5	5 of 5	-	-	-	-
S. Nagy	1 of 4	-	-	1 of 5	-	-
D. Mark	-	-	-	2 of 3	-	-
F. McKerrell	5 of 5	-	3 of 4	-	-	1 of 1
M. Hamilton	-	-	4 of 4	-	-	-
R. Binks	-	-	3 of 4	-	-	-

* Non Executive Member to 31 January 2023; ** Co-opted from 1 February 2023 - 31 May 2023

Whilst senior executives attend meetings of the Audit & Risk Committee as necessary, they are not members, and once a year the Committee members meet both the internal and external auditors independently.

The Board has established an annual evaluation process for reviewing its effectiveness. This includes a suite of evaluations – Board, Committees, Chair, Committee Chairs, individual Board Members and Secretary to the Board. The annual process reflects sector guidance issued in "Guidance Notes for Boards in the College Sector: A Board Development Framework".

The Board of Management seeks to comply fully with the Code of Good Governance for Scotland's Colleges without exception. The College continues to comply with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2023.

20) Statement of Board of Management's Responsibilities

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of financial control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position if the College and to enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, and the 2019-20 Government Financial Reporting Manual (FReM) issued by the Scottish Government and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period that give a true and fair view of the College's situation and of the surplus or deficit and cash flows for that period.

As Accountable Officer for the college sector, the Scottish Funding Council Chief Executive is required to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government. This is based upon certificates of assurance from each college, which confirm that the Principal has undertaken a review of the internal control arrangements of the College and that these controls have been, and are, working well.

In preparing the financial statements, the Board of Management 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 Management is satisfied that it has adequate resources to continue in operation for the near future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council (SFC) are used only for the purposes that they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the Funding Council may from time to time prescribe.
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Safeguard the assets of the College and prevent and detect fraud.
- Secure the economical, efficient, and management of the College's resources and expenditure.

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

- Comprehensive budgeting systems and processes and quarterly review of the budget, agreed by the Corporate Development Committee and the Board of Management.
- Financial Regulations outlining financial delegation of authority, approved by the Board of Management.
- A Corporate Strategy supported by a financial forecast broken down into annual income, expenditure, capital, and cash flow budgets.
- Procurement Policy and Procedures designed to ensure that all College procurement activity is focussed on the delivery of value for money and conducted to high professional standards and to the relevant legal requirements.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- A comprehensive risk management process whereby the adequacy and effectiveness of the overall arrangements put in place to manage risk are reviewed on a quarterly basis.
- 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.
- The adoption of formal project management disciplines.
- Board of Management report produced on a quarterly basis and includes information on financial performance, key performance indicators such as student activity levels and retention and achievement rates, estates and IT developments and staffing indicators.
- A professional internal audit service whose annual programme is established by the Audit & Risk Committee and endorsed by the Board of Management.

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

Auditor

The Auditor General for Scotland has appointed Azets Audit Services to undertake the audit for the year ended 31 July 2023.

Disclosure of Information to Auditors

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Non-Audit Fees

No payments were made to the External Auditor, Azets Audit Services, other than in respect of the statutory audit fee (see note 9).

21) Governance Statement

Introduction

The College is committed to exhibiting best practice in all areas of corporate governance. The following summarises the corporate governance principles which have been applied during the year.

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2023 and reports the Board's assessment of the effectiveness of these arrangements.

Statement of Compliance

The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the financial year ended 31 July 2023.

Governing Body

The Board of Management has responsibility for overseeing the business of the College, determining its future direction, and fostering an environment in which the College vision and values are achieved, and the potential of all learners is maximised. The Board of Management must also ensure compliance with the statutes, ordinances and provisions regulating the College and its framework of governance and, subject to these, take all final decisions on matters of fundamental concern to the College.

The operation of the Board of Management is defined in a Governance Manual which includes its Standing Orders, Scheme of Delegation, Code of Conduct, and detailed Terms of Reference for the Board and each of its Committees. In addition to Board of Management meetings, the following Standing Committees have also been established with the remit to:

Audit & Risk Committee

- To ensure compliance with corporate governance requirements, monitors adherence to regulatory requirements, provides oversight on systems of internal control and provides the principal mechanism through which the audit process works with particular emphasis on compliance, management of risk, and internal and external audit activities as well as ensuring systems are in place to provide efficiency, effectiveness, and economy.
- In September 2023 the Committee reviewed its remit and agreed to change the name to Audit & Risk Committee to emphasise the importance of risk.
- To ensure there is an adequate and effective risk management and assurance frameworks in place to both identify and mitigate risk effectively.

Learning, Teaching and Quality Committee

- To have strategic oversight of all learning, teaching, training, and skills development within the College, ensuring the highest quality of student experience and the development of a sustainable and innovative curriculum to meet the current and future skills needs of students, employers, and the Region.
- To advise on the strategic direction for the allocation and development of College resources to best meet the needs of learning, teaching, and students.
- To ensure the College meets the Scottish Government and Scottish Funding Council requirements relating to Learning, Teaching and Quality in the Regional Outcome Agreement and monitor associated targets and performance indicators.
- To advise on the strategic implementation, review and development of required strategies and policies that reflect best practice and improve the student experience.

Corporate Development Committee

- To have strategic oversight of finance, procurement, human resources and organisational development, communications, marketing and matters of a general nature that do not fall to other standing Committees, ensuring solvency, sustainability, efficiency, and innovation.
- To advise on the strategic implementation, review and development of required strategies and policies that reflect best practice and improve organisational performance, ensuring appropriate and effective controls and processes are in place.
- To ensure the College manages all assets and resources in accordance with Scottish Government and Scottish Funding Council requirements.

Remuneration Committee

- To advise the Board and make recommendations on matters relating to the pay, conditions of service and structure of the College's Senior Management Team and such other staff as the Board of Management may from time to time determine.
- To seek comparative information on salaries and other emoluments and conditions of service in the FE sector.

Nominations Committee

- To support the process by which Board of Management Members are recruited, selected, and recommended for appointment.

- To advise the Board of Management on matters relating to the appointment of the Chairs, Vice Chairs, and membership of the Board's Committees.
- Where the Board of Management so determines, provide assistance in identifying, selecting, and recommending candidates for appointment to senior staff positions in the College.

Evaluation

In accordance with Paragraph D.23 of The Code of Good Governance for Scotland's Colleges, "*the board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness at least every three to five years. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online*".

The February 2023 Board meeting agreed the process for undertaking the 2023 internal Board effectiveness review. A survey was issued to all Board members and the results of the review were reported and discussed at a meeting on the 24 May 2023. The outcome of the May 2023 meeting was reported to the June 2023 Board meeting. Relevant comments from the Chair and Board member one-to-one discussions held in the autumn of 2022 were also included in the effectiveness report.

The Board concluded that they were satisfied with the:

- Frequency and the distribution of papers for Board meetings.
- The process for meetings including contributions from members and College staff.
- Overall effectiveness of the Board Meetings.
- Quality and quantity of information and advice provided to Board Members to support effective discussion and decision making.
- Process for Board Member Appraisal.

Overall, the additional feedback received from Board members was considered as positive. Several areas were identified for improvement, and these were incorporated into the 2023 Board Development Plan.

The Board last undertook an externally facilitated evaluation of its effectiveness in late 2019 with the feedback report being approved at the Board meeting held on 3 February 2020.

22) Risk Management and Internal Control

The College Risk Management Policy is owned by the Board of Management and sets out the College's underlying approach to risk management, including the College's overall Risk Appetite Statement, to ensure that appropriate risk management arrangements are in place and that these have been embedded throughout the whole College. The Policy also documents the roles and responsibilities of the Board, the Senior Management Team, and other key parties, and outlines key aspects of the risk management process, identifying the main reporting procedures.

The Audit & Risk Committee has specific duties in relation to Internal Control and Risk Management:

- Internal Control - Reviewing and advising the Board of Management of the Internal Audit Services (IAS) and the external auditor's assessment of the effectiveness of the College's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities, as well as those for securing economy, efficiency and effectiveness reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance.

- Risk Management - Reviewing the Risk Management Policy, ahead of its consideration by the Board of Management.

The Committee also has specific duties in relation to Internal Audit, External Audit, and Value for Money.

The Board of Management, in conjunction with the Senior Management Team, maintains a Strategic Risk Register. The Register identifies, against each Strategic Priority, actual critical risks that the College is facing. An overall strategic risk appetite is detailed along with a risk appetite for each Strategic Priority. Details of current controls and further actions to be taken to mitigate each risk along with the current level of risk control are also provided alongside risk scorings.

The Strategic Risk Register is reviewed regularly by the Senior Management Team, with the document considered by the Board Standing Committees as a standing item at each of its meetings. The Strategic Risk Register is reflected upon during the setting of the College's Annual Internal Audit Programme. The College addresses operational risks through its Departmental Operational Plans, which cross reference relevant risks included in the Strategic Risk Register. The Plans are 'live' documents which are key to the College's quality enhancement and improvement planning processes and are referred to and reported on throughout the academic year. Individual risk registers and risk assessments are also completed for significant College projects.

The College's system of internal control incorporates risk management. This system encompasses several elements that together facilitate an effective and efficient operation, enabling the College to respond to a variety of operational, financial, and commercial risks. These elements include policies and procedures; monthly reporting; business planning and budgeting; strategic themes, goals, and objectives; risk registers; internal audit programme; and external audit.

The Board of Management is responsible for reviewing the effectiveness of internal control of the College, based on information provided by the Executive Team. For each significant risk identified, the Board, as part of the corporate planning and review process:

- Reviews the previous year and examines the College's track record on risk management and internal control.
- Considers, on a continuous basis, the internal and external risk profile of the coming year and in terms of medium and longer term planning and considers if current internal control arrangements are likely to be effective.

In making its decision, the Board considers the control environment; on-going identification and evaluation of significant risks; Information and communication; and monitoring and corrective action.

In addition, the remit of the Board's Audit & Risk Committee includes the review of the comprehensiveness, reliability, and integrity of assurances, including the College's governance, risk management and internal control frameworks, and making recommendations to the Board of Management as appropriate.

23) Statement on Internal Control

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

The Board of Managements Committees and Executive Team receive reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the College's academic sectors and teams and reinforced by risk awareness training. The Executive Team and the Audit & Risk Committee also receive regular reports from internal audit that include recommendations for improvement and identify areas of good practice.

The Audit & Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Board of Management agenda includes items relating to the consideration of risk and control at key points of the College's planning and reporting cycle and receives reports thereon from the Executive Team and the Audit & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating, and managing the College's significant risks that has been in place throughout the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

A programme of internal audit work has been undertaken and the results have provided evidence to the Board that there are strong controls in most areas under review. The areas reviewed during 2022-23 were:

- Safeguarding, Wellbeing and Counselling
- IT Strategy
- Curriculum Strategy
- Payroll Review
- Budget / Financial Planning and Monitoring
- Curriculum Planning and Timetabling
- Whistleblowing

In its Annual Report to the Board, the internal auditor highlighted that it had made 13 recommendations during the year (2021-22: 27) and that these were categorised as follows:

- 0 as High priority
- 5 as Medium priority
- 8 as Low priority

High priority risks are highlighting areas of major weakness that the auditors consider need to be brought to the attention of the Audit & Risk Committee and require to be addressed by the College as a matter of urgency. Actions have been, or a planned to be, taken to address the identified recommendations and strengthen controls in the identified areas.

To ensure that internal audit recommendations are implemented as agreed a rolling plan of follow up reviews are included as part of the Annual Internal Audit Plan. This provides the Board, via the

Audit & Risk Committee, with independent assurance that recommendations have been fully implemented by the College and can therefore be removed from the Rolling Audit Action Plan. If any issues remain outstanding beyond the agreed implementation deadline this also highlighted if a recommendation requires to be reviewed due to changed circumstances.

The internal auditor has expressed the opinion that the Board of West College Scotland has adequate and effective risk management, control, and governance processes to manage its achievement of the College's objectives at the time internal audit work was undertaken and that the College has proper arrangements to promote and secure value for money.

Significant Lapses of Data Security

There were no significant lapses in data security, i.e., reportable to the Information Commissioner's Office, during 2022-23 or up to the date of signing this report.

24) Going Concern

In accordance with the FReM, the College has prepared its financial statements on a going concern basis as we have not been informed by the Scottish Government through the Scottish Funding Council of the intention for dissolution without transfer of services or function to another entity of the Higher and Further Education provision.

The College recorded a deficit on continuing operations after tax of £2.6m before other gains and losses during the financial year and a total comprehensive expenditure of £1.6m. The College reported an adjusted operating surplus of £0.4m after accounting for technical net pension adjustments of £0.1m and a net depreciation adjustment of £3.2m. Cash decreased by £1.7m during the year to £11.1m on 31 July 2023. On 31 July 2023, the College held borrowings of £0.8m and has reported a net asset position in these financial statements of £93.0m (2021-22: £72.2m). This includes a pension asset of £0.1m for the College's share of the Strathclyde Local Government Pension Scheme (LGPS) on 31 July 2022-23 (2021-22: £0.0m) and a £7.3m liability for an historic unfunded pension provision (2021-22: £8.1m).

The activities of the College are nearly 85% funded by the Scottish Government through the Scottish Funding Council to provide Higher and Further Education. The Board and the Executive Team are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability for the College.

The College has in place a strategic plan outlining its key strategic priorities. One of the key strategic outcomes is sustainability, which seeks to achieve sustainable levels of funding in support of our core activities from the Scottish Funding Council and maximise income from alternative income sources. This outcome is in turn supported by a Finance Plan.

The College has recently updated the financial forecast out to 2025-26 in line with the assumptions provided by the Scottish Funding Council (SFC) which include assuming colleges taking relevant actions to balance their underlying positions each year. Therefore, based on our latest assumptions the College will breakeven across the forecast period to 2025-26 and sustain the liquidity position with a forecast cash balance of £4.4m at the end of the period. Throughout the going concern assessment period to 31 July 2024, the College forecasts holding cash no lower than £4.0m.

The Board and the Corporate Development Committee have had full sight of the financial forecasts as they have progressed. These forecast positions will remain fluid and will be regularly reviewed by the College. Mitigating actions are being established should they be necessary to implement to support, and include:

- Ongoing engagement with SFC and other external agencies within the education landscape to support economic recovery and secure funding sources through the College to provide education and training activities to individuals and businesses.
- Review of staffing structures and the non-staff cost base across the forecast period to align with rising costs and real time funding cuts as indicated within SFC funding assumptions.
- Rigorous budgeting, forecasting and ongoing reporting against budget.
- Ongoing drive for year-on-year operational efficiencies, including the implementation of a Procurement Strategy.
- Streamlining business processes and systems using technology and digital skills.

Conclusion

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

The 2022-23 Audit & Risk Committee agendas included consideration of risk and control and reports thereon from the Executive Team and the Internal Auditors. The emphasis was on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board is of the view that there was an on-going process for identifying, evaluating, and managing the College's significant risks, that it had been in place for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts.

The Board of Management complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2023. The Board of Management are content that the arrangements in place relating to corporate governance are effective.

Approved by order of the members of the Board of Management on 11 December 2023

Remuneration and Staff Report

25) Remuneration Policy and Staff Profile

Under the College's Financial Regulations, the Board of Management has the authority to appoint, grade, suspend, dismiss, and determine the pay and conditions of service of the Principal and other senior post-holders. Under its Scheme of Delegation, the Board delegates authority to the Remuneration Committee to consider, approve and report to the Board on decisions regarding the remuneration, package, terms, and conditions and, where appropriate, severance payments of the Principal and Chief Executive, Executive Team, Senior Management Team, Heads, and the Governance Manager.

The following table provides an overview of staff data:

		2022-23		2021-22	
		FTE	%	**FTE**	%
People		787		863	
Sickness absence			4.0		4.4
Staff turnover			19.2		12.9
Gender:					
All staff	Male	343	44	373	43
	Female	444	56	490	57
Board of Management	Male	8	50	12	66
	Female	8	50	6	34
Senior Management Team	Male	4	40	4	36
	Female	6	60	7	64

Remuneration - Board Member

The Chair of the Board of Management received remuneration in accordance with instruction from the Scottish Government. There is no remuneration paid to any other non-executive director posts on the Board of Management. Expenses incurred are paid to Board of Management members because of carrying out the duties of the appointment, including reasonable travel and subsistence.

Remuneration and Pension Interests - Senior Staff

The following disclosures within the remuneration report are subject to audit: single total figure of remuneration for each senior official, CETV disclosures for each senior official, fair pay disclosures (median remuneration) and exit packages. The following table provides detail of the remuneration and pension interests of senior staff:

	Year ended 31 July 2023			Year ended 31 July 2022		
Name	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**	**Salary £'000**	**Pension Benefit £'000**	**Total £'000**
W. Hatton	25-30	0	25-30	25-30	0	25-30
E. Connolly	130-135	25-30	155-160	130-135	25-30	155-160
S. Gunn	95-100	20-25	115-120	95-100	20-25	115-120
A. McDonald	95-100	15-20	110-115	95-100	15-20	110-115

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 were final salary schemes until 31 March 2015, meaning that members' benefits were based on the final year's pay and the number of years that the person has been a member of the scheme. From 1 April 2015, both schemes became career average schemes, meaning that benefits are based on the career average earnings of the member, and the number of years that the person has been a member of the scheme. The schemes' normal retirement age is the state retirement age.

Contribution rates are set annually for all employees and depend on the salary of the employee. 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 pay to 31 March 2015, career average earnings from 1 April 2015, and years of pensionable service.

Further details regarding the pension arrangements for the College can be found in Note 23 in the Financial Statements including contribution rates payable.

Pension Benefits

Pension benefits are provided to senior staff on the same basis as all other staff. The accrued pension benefits for senior staff are set out in the table below, together with the pension contributions made by the College. It should be noted accrued benefits are attributable to contributions made over the period of the individual's working life, and from their various employers during that time.

Name	Accrued pension and lump sum at pension age on 31 July 2023	Real increase in pension and lump sum 1 August 2022 to 31 July 2023	CETV at 31 July 2023	CETV at 31 July 2022	Real increase in CETV
	£’000	£’000	£’000	£’000	£’000
E. Connolly	26	5	455	361	94
S. Gunn	159	1	980	952	28
A. McDonald	21	3	260	209	51

Cash Equivalent Transfer Value (CETV)

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

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

In considering the accrued pension benefits figures the following contextual information should be considered:

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

Real increase in CETV

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

Note 8 to the accounts provides information on senior post holders’ remuneration.

26) Compensation for Loss of Office

As of 31 July 2023, 50 (2021-22: 44) employees had left the College under voluntary severance arrangements. They received compensation payments totalling £861,395 (2021-22: £1,063,955) with this figure included pension fund strain costs of £119,390 (2021-22: £283,931). The leavers did not receive any additional compensation.

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

	2022-23	2021-22
Exit package cost band	**Number and cost of voluntary redundancies**	**Number and cost of voluntary redundancies**
< £10,000	18	17
£10,001 - £25,000	24	11
£25,001 - £50,000	7	14
£50,001 - £100,000	1	2
Total number of agreements	**50**	**44**
Total Cost (£)	**£861,395**	**£1,063,955**

Fair Pay – Pay Multiples

The highest paid member of the management team was the Principal. The Principal's remuneration before pension benefits was in the range £130,000 to £135,000 (2021-22: £130,000-£135,000). This was 3.0 times (2021-22: 3.0 times) the median remuneration paid to West College Scotland staff which was £29,569 (2021-22: £27,618).

	2022-23	2021-22	Change %
Range of workforce remuneration	£132,000 - £1	£132,000 - £1	-
Highest paid official remuneration	£131,610	£131,881	0%
Median (Total pay and benefits)	£44,164	£43,398	2%
Median (Salary only)	£29,569	£27,618	1%
Ratio to highest paid official (Total pay and benefits)	3.0	3.0	0%
25th percentile (Total pay and benefits)	£18,569	£20,045	-7%
25th percentile (Salary only)	£13,744	£13,486	2%
Ratio to highest paid official (Total pay and benefits)	7.1	6.6	8%
75th percentile (Total pay and benefits)	£69,540	£68,532	1%
75th percentile (Salary only)	£42,606	£41,958	2%
Ratio to highest paid official (Total pay and benefits)	1.9	1.9	0%

Salaries and Related Costs

Details of the number of staff and their related costs, including senior postholders and the Principal, who received annual emoluments, can be found at Notes 7 and 8 of the Financial Statements.

Fair work

The College is a fair work employer and demonstrates this through;

- Opportunity and staff development
- Equalities
- Commitment to the minimum wage
- Respect
- Continuing to enhance employee relations
- Collaboration and support throughout our workforce

Further work will continue on the College's workforce development planning over the coming 12 months to strengthen the ability to support the Corporate Strategy into the medium and long term.

27) Facility time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for trade union officials working at the College during the year ended 31 March 2023.

		2022-23	2021-22
Trade Union Representatives and Full-Time Equivalents	Number of employees who were trade union officials	25	25
	Full-time equivalent employee numbers	23.66	23.46
Percentage of working hours spent on facility time by band	1% to 50% of working hours	25	25
Percentage of staff costs spent on facility time	Total cost of facility time	£112,566	£116,619
	Total staff costs	£41,096,267	£40,347,125
	Percentage of total staff costs spent on facility time	0.27%	0.29%
Paid trade union activities	Time spent on disclosed or reportable trade union activities as a percentage of all trade union activities	21%	5%

Off Payroll working through an intermediary (IR35) – workers engaged through a company

The HM Treasury off-payroll working arrangements are in place to ensure that where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax and NICs as an employee. The College has a procedure to ensure that if it plans to offer temporary employment to someone who works through their own intermediary, the off payroll working rules are applied accordingly.

28) Our People

West College Scotland wants to have an engaged, flexible, and modern workforce which is proud to work for the College. The College is proud of the achievements of teaching and support staff and is committed to their professional development so that they can continue to achieve successful outcomes for themselves, students, and the College community.

West College Scotland is committed to ensuring that all current and future staff are treated fairly and equitably in all aspects of employment. This is supported by activities such as recruitment and selection training for managers which takes account of college obligations to ensure that appointments, promotion, access to training and the application of other policies are made fairly and without discrimination based on the following protected characteristics - age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, religion or belief, sex, sexual orientation, or race.

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

- Open sessions hosted by the Principal and involving the Senior Management Team to update staff on key issues and to allow questions to be asked and issues to be raised.
- Line Managers schedule regular meetings with teams to plan and schedule work to support the achievement of corporate goals.
- Westworld, a staff newspaper, is issued on a regular basis to update staff on College news and events.
- A staff intranet page.
- All staff communications providing details of discussions and key messages following the fortnightly Senior Management Team meeting.

The highest standards are also expected from all organisations that have dealings with the College. The College will seek to review its involvement with any organisation that fails to abide by the expected standards.

Staff and Student Involvement

The College recognises the benefits of keeping employees informed on performance and encourages suggestions for the improvement of the College's position. Joint Negotiating Committees (JNC), comprising management and members of the recognised trade unions for both teaching and support staff, have been established for this purpose.

In addition, periodic core communication sessions are held on all main sites to brief staff on current developments and receive information. The College publishes news via its intranet, available to all staff. Staff consultation is also a key part of the College's Corporate Planning process with workshops taking place for all academic faculties and support departments to contribute to the process.

The College has a wide range of approaches to gaining feedback from student representatives on the governing body. The College supports an active Students' Association and has entered into a partnership agreement with the Association.

Employer Engagement

As an organisation which has always been principally in the business of vocational education and skills training it has been relatively easy for the College to respond positively to the Government's renewed emphasis on skills (the 'skills agenda'). Our service to individuals in employment and to employers in the private, public and third sectors consists of a wide range of training opportunities provided in the College's own premises (where the service is subsumed in the wider work of the organisation), an extensive work-based training and assessment service provided by the College's Business and Community Development Teams.

Building our Collective Culture

The College has an ambitious People Strategy 2030 which builds on the 'Building our Collective Future' framework and places staff at the heart of the College's plans, recognizing their collective contribution. It is based around four strategic themes:

- One College Culture
- West College Scotland Experience
- Effective Leaders and Managers
- Maximising Organisational Capability

Career management and employability

The College supports career development through an annual 'Enhance' development review for all employees and has a dedicated training budget to support employee requests identified. Our Organisational Development Team have rolled out a Management Training Programme to support the development of middle and senior managers in a range of areas. A global view on career management is also undertaken through ongoing work in relation to workforce planning.

Employee Participation and Development

There is staff representation on the Board of Management and relevant committees. Consultation takes place in regular meetings held with unions. Staff development is facilitated through continuing professional development and a review process that is designed to support employees in their career progression.

Strategic Learning Plans have been published with organisational themes including Be the Change, Digital First, Data Analytics and Visualisation, Meta and Core Skills Development, Supporting Students and Quality Learning and Teaching. The Organisational Development Team will be working with teams across the College to offer learning interventions mapped to these key priorities over the next three years. There are also individual plans for each directorate and team with the College Organisational Development Managers partnering with the business areas to assist in achieving their learning plan objectives.

Provision of Information to Employees

The College has adopted the principles of openness and participation and places an elevated level of importance in both informing and consulting staff.

The College management meets on a regular basis with both the teaching and support staff unions with the minutes of the meetings being made available to the wide College community through the staff intranet. In addition to this the College provides access to relevant documents through the staff intranet and social media outlets, through verbal and written briefings, staff newsletters, staff meetings and events. Information is only withheld where this can be shown to be justified or where there is a duty of confidence to a third party.

Health and Safety

West College Scotland Board of Management is fully committed to compliance with all relevant health, safety, and fire legislation. The College Health and Safety Policy outlines how all foreseeable hazards and risks are identified and assessed to reduce or eliminate the likelihood of accidents, incidents, and cases of occupational ill health.

Equal Opportunities

The College has an Equal Opportunities Procedure. The purpose of this is to ensure that staff, students, customers, and visitors are treated equally regardless of age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, religion or belief, sex, sexual orientation, or race. The College completes an equality impact assessment on all policies and procedures to ensure that the College pays due regard to the General Equality Duty.

Social Matters

Our curriculum encourages social engagement and interaction by facilitating partnerships with our students and community stakeholders. We recognise the wider benefits of learning, and that the student experience is influenced by social and economic factors beyond the classroom. Our ambition to improve employability aims to increase social inclusion.

Respect for Human Rights

West College Scotland believes that respect for human rights is a critical component of promoting sustainability. The College will respect human rights; will not engage in discrimination based on age, gender, ethnicity, religion, disability, sexual orientation, or any other grounds; will not tolerate harassment; will foster a proper understanding and awareness of the issue of human rights; will respect the cultures, customs, and language of other countries and regions; and will promote and maintain harmony with the local and international communities it engages with.

Employment of staff with a protected characteristic

West College Scotland is aware of the specific duties placed on it as a public body and demonstrates support for diversity by being a signatory to the nationally recognised Disability Confident Scheme.

The College is committed to equality and strives to have a diverse workforce. One way in which this can be evidenced is in the support for new and existing employees who live with a disability. The College is committed to providing reasonable adjustments in the form of physical adaptations, modifications to job roles and auxiliary aids or services to support employees to thrive.

Modern Slavery and Human Trafficking

The Board of Management has considered its responsibilities regarding the Modern Slavery Act 2015 and has published its annual Modern Slavery and Human Trafficking Statement here.

Anti-Bribery and Corruption

The Board of Management has considered its obligations under the Bribery Act 2010 and has published its Anti-Bribery and Corruption Policy here.

The following statement is extracted from the Policy:

"*The Board of Management of West College Scotland prohibits: the offering, the giving, the solicitation or the acceptance of any bribe, whether cash or other inducement to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company by any individual employee, agent or other person or body acting on West College Scotland's behalf in order to gain any commercial, contractual or regulatory advantage for West College Scotland in a way which is unethical or in order to gain any personal advantage, financial or otherwise, for the individual or anyone connected with the individual*."

The Accountability Report is approved by order of the members of the Board of Management and signed on its behalf by:

Waiyin Hatton
Chair of Board of Management

Elizabeth Connolly
Principal and Chief Executive

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of West College Scotland for the year ended 31 July 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the college's affairs as at 31 July 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We were independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our separate Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the college's operations.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussion among our team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report

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

Other information

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

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

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

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

David Eardley, (for and on behalf of Azets Audit Services)

Exchange Place 3, Semple Street, Edinburgh, EH3 8BL

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

Statement of Comprehensive Income and Expenditure

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000 Restated
Income			
Tuition fees and education contracts	2	5,849	6,611
Funding body grants	3	55,634	51,668
Other grant income	4	732	641
Other operating income	5	1,633	1,523
Investment income	6	536	0
Total Income		**64,384**	**60,443**
Expenditure			
Staff costs	7	45,157	48,266
Support staff job evaluation	7	935	935
Restructuring costs	7	861	1,064
Other operating expenses	9	15,407	11,366
Depreciation	12	4,565	4,493
Interest and other finance costs	10	83	613
Total Expenditure		**67,008**	**66,737**
Deficit before Tax		**(2,624)**	**(6,294)**
Taxation	11	-	-
Deficit on Continuing Operations after tax		**(2,624)**	**(6,294)**
Unrealised surplus on revaluation of land and buildings	12	22,433	-
Actuarial gain in respect of pension scheme	23	1,040	25,984
Total Unrestricted Comprehensive Income for the Year		**20,849**	**19,690**

All items of income and expenditure relate to continuing activities.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash budget for depreciation in the Statement of Comprehensive Income. Note 27 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves

	Income and Expenditure Reserve	Revaluation Reserve	Total
	£000	*£000*	*£000*
Balance at 1 August 2021	**(15,910)**	**68,408**	**52,498**
Deficit on continuing operations after tax	(6,294)	-	(6,294)
Transfer between revaluation and income and expenditure reserve	3,082	(3,082)	0
Actuarial gain in respect of pension scheme	49,735	-	49,735
Pension asset ceiling adjustment	(23,751)	-	(23,751)
Total comprehensive income for the year	22,772	(3,082)	19,690
Balance at 31 July 2022 Restated	**6,862**	**65,327**	**72,189**
Deficit on continuing operations after tax	(2,624)	-	(2,624)
Transfer between revaluation and income and expenditure reserve	3,082	(3,082)	0
Revaluation	-	22,433	22,433
Actuarial gain in respect of pension scheme	18,357	-	18,357
Pension asset ceiling adjustment	(17,317)	-	(17,317)
Total comprehensive income for the year	1,498	19,351	20,849
Balance at 31 July 2023	**8,359**	**84,677**	**93,036**

Balance Sheet

		As at 31 July 2023		**As at 31 July 2022**	
	Note	***£000***	***£000***	**£000**	**£000**
				Restated	**Restated**
Non current assets					
Fixed assets	12		124,767		106,613
Funded pension asset	17		133		-
Current assets					
Trade and other debtors	13	5,773		5,016	
Cash	19	11,080		12,826	
		16,853		17,842	
Less: Creditors: amounts falling due within one year	14	(17,059)		(18,386)	
Net current liabilities			(206)		(544)
Total assets less current liabilities			**124,694**		**106,069**
Creditors: Amounts falling due after one year	15		(24,350)		(25,778)
Unfunded pension provision	18		(7,307)		(8,102)
Total net assets			**93,036**		**72,189**
Unrestricted reserves					
Income and expenditure reserve			8,359		6,862
Revaluation reserve			84,677		65,327
Total reserves			**93,036**		**72,189**

The financial statements on pages 45 to 68 were approved by the Board of Management, authorised for issue and signed on its behalf by:

Waiyin Hatton
Chair of Board of Management

Elizabeth Connolly
Principal and Chief Executive

Statement of Cashflows

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Cashflow from operating activities			
Deficit for the year		(2,624)	(6,294)
Adjustment for non-cash items			
Depreciation	12	4,565	4,493
Decrease / (Increase) in stock		-	3
(Decrease) / Increase in debtors	13	(757)	(249)
(Decrease) / Increase in creditors	14	(2,417)	2,597
Reduction in provisions		-	(97)
Net cost of pension provision	23	112	3,929
Adjustment for investing or financing activities			
Investment income	6	(536)	-
Interest payable	10	83	613
Net cash inflow from operating activities		**(1,574)**	**4,995**
Cash flows from investing activities			
Investment income	6	536	-
Purchase of Building Improvements and Equipment	12	(286)	-
		250	**-**
Cash flows from financing activities			
Interest paid	10	(83)	(613)
Repayments of amounts borrowed	19	(338)	(332)
		(421)	**(945)**
(Decrease) / Increase in cash in the year		**(1,746)**	**4,050**
Cash at beginning of the year	19	12,826	8,776
Cash at end of the year	19	11,080	12,826

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements and there have been no changes to these in the year.

a) Basis of Preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2019: 'Accounting for Further and Higher Education' and the 2022-23 Government Financial Reporting Manual (FReM) issued by the HM Treasury and in accordance with Financial Reporting Standards (FRS 102). The College is a public benefit entity and has therefore applied the public benefit requirements of FRS102. The College conforms to relevant parts of the Scottish Public Finance Manual (SPFM), the Accounts Direction and other guidance issued by the Scottish Funding Council.

b) Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

The accounting policies contained in the Government Financial Reporting Manual (FReM) apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be more appropriate to the College for the purposes of giving a true and fair view has been selected. The particular policies adopted by the College in dealing with items that are considered material to the Financial Statements are set out in these notes.

c) Going Concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Performance Report. The financial position of the College, its cashflow, liquidity and borrowings are presented in the Financial Statements and accompanying notes. The College currently has £0.8m of bank loan and a finance lease outstanding. The bank loan is due to be fully repaid by 2025 and the finance lease within 1 year.

The College's forecasts and financial projections indicate that it will be able to operate within the existing bank loan covenant for the foreseeable future. Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

d) Recognition of Income

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

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

All income from short-term deposits is credited to the Statement of Comprehensive Income and Expenditure in the year in which it is earned.

e) Agency Arrangements

The College acts as an agent in the collection and payment of all Student Support Funds except for childcare funding. These funds are excluded from the College Statement of Comprehensive Income and Expenditure and movements have been disclosed in the notes to the accounts.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds (childcare funding), the income and expenditure relating to those funds are shown in the College Statement of Comprehensive Income and Expenditure.

f) Grant Funding

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

Grants from non-recurrent sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

g) Donations and Endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

h) Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. The funds will be held in deferred income within creditors until conditions are met.

i) Fixed Assets

1)Tangible asset:

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

2) Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. Depreciated Replacement Cost has been used as a measure of fair value for land and buildings, otherwise Market Value has been used. The College has a policy of ensuring a full revaluation takes place at least every 5 years, with an interim valuation carried out after 3 years, such that the fair value is not materially different to the current value. Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

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

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs. They are not depreciated until they are brought into useful life.

Heritable land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives.

Depreciation is calculated on a straight line basis over the expected useful life of the buildings which vary from 10 to 60 years as determined by professional opinion and valuation.

3) Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to on-going future economic benefit.
These assets are then depreciated over their expected useful economic life on a straight line basis.

4) Equipment

Equipment costing less than £5,000 per individual item and motor vehicles costing less than £5,000 are written off to expenditure in the year of acquisition. All other equipment and vehicles are capitalised and carried at depreciated historical costs, which is used as a proxy for fair value. Assets of lesser value may be capitalised where they form part of a group of similar assets purchased in the same financial year and costing over £20,000 in total.

Capitalised equipment is depreciated over its useful economic life ranging from between 3 and 10 years on a straight line basis.

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

j) Finance Leases

Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The relevant assets are included under fixed assets and the capital element of leasing commitments is shown as an obligation under finance leases.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Comprehensive Income and Expenditure account in proportion to the reducing capital element outstanding.

Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

k) Operating Leases

Leases not meeting the criteria of a finance lease are treated as an operating lease. Expenditure in respect of operating leases is charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Notes to the Financial Statements

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

l) Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue and Customs as a charity for the purposes of section 467, Income and Corporation Taxes Act 2010 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

m) Stocks

Stocks are held for issue or resale and are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

n) Cash

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

o) Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

p) Maintenance of Premises

The cost of routine corrective maintenance is charged to the Statement of Comprehensive Income and Expenditure in the period it is incurred.

q) Retirement Benefits

All new members of staff have the option of joining a pension scheme. The schemes currently open to new members of staff are the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). Existing employees are entitled to maintain their membership of the STSS.

Full provision has been made for those pension costs which do not arise from externally funded defined benefit schemes.

<u>Scottish Teachers Superannuation Scheme (STSS)</u>

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting Standard 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme in respect of the year.

1) STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income and Expenditure represents the net interest expense which is based on the net deficit within the scheme during the year.

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

s) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised in the financial statements when the College has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. This could include but not be limited to a provision for Failure to Educate.

The College has no contingent liabilities or contingent assets at the balance sheet date. Contingent liabilities and contingent assets, should they require to be disclosed, would not be recognised in the Balance Sheet but would be disclosed in the notes to the financial statements (see Note 26).

t) Judgements and key sources of estimation uncertainties

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

1) Determine whether there are indicators of impairment of the College's tangible assets

Factors taken into consideration in reaching such a decision include the presence of reinforced autoclave aerated concrete, the economic viability and the expected future financial performance of the asset.

Other Key Sources of Estimation Uncertainty

2) Pensions Valuation

As at 31 July 2023 the present value of the defined benefit pension obligations are less than the fair value of the pension assets, therefore there was a notional pension asset. In accordance with FRS102 the College can only recognise the asset if it is able to either recover it through a refund or reduced future contributions. As the College believes that the pension fund is subject to a minimum funding requirement in relation to both future and past service elements, it has reduced the value of the surplus accordingly through applying an asset ceiling cap.

Notes to the Financial Statements

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
2) TUITION FEES AND EDUCATION CONTRACTS		
FE fees - UK	2,698	2,912
FE fees - non EU	362	194
HE fees	2,047	2,748
SDS contracts	742	757
	5,849	**6,611**
3) FUNDING BODY GRANTS		
FE recurrent grant	44,539	43,757
Childcare funds (Note 25)	748	770
Release of deferred capital grants	1,126	1,100
Other SFC grants - job evaluation	935	935
Other SFC grants	2,438	1,988
Estates maintenance funding	5,848	2,232
	55,634	**50,782**
4) OTHER GRANT INCOME		
Development grants	548	457
Release of deferred capital grants	184	184
	732	**641**
5) OTHER OPERATING INCOME		
Catering	476	350
Other income generating activities	106	254
Support for learning	277	342
Other income	774	577
	1,633	**1,523**
6) INVESTMENT INCOME		
Pension interest receivable (Note 23)	536	0
	536	**0**

Notes to the Financial Statements

	Year ended 31 July 2023 *£000*	Year ended 31 July 2022 *£000*
7) STAFF COSTS		
Wages and salaries	34,414	35,049
Social security costs	3,841	3,636
Pension costs including actuarial cost (Note 23)	8,068	10,775
Reduction in holiday pay provision	(305)	(130)
Support staff job evaluation	935	935
	46,953	**50,265**
Teaching departments	27,226	26,709
Teaching services	4,912	4,446
Administration and central services	8,826	9,305
Premises	1,971	2,286
Other expenditure	1,327	1,705
Catering	246	395
Pension adjustments	648	3,420
Total	**45,157**	**48,266**
Support staff job evaluation	935	935
Restructuring costs	861	1,064
Total	**46,953**	**50,265**

Staff Numbers:

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

	2023 FTE	**2022 FTE**
Teaching departments	399	434
Teaching services	63	60
Administration and central services	236	247
Premises	58	65
Other expenditure	23	44
Catering	8	13
Average number of FTE directly employed	**787**	**863**
Headcount: Teaching	544	597
Headcount: Support	484	551
Agency staff costs	£ 121,000	£ 177,000
Average number of agency FTE	5	8

Notes to the Financial Statements

7) STAFF COSTS (Continued)

The number of staff, including senior post-holders and the Principal, who are due to receive annual emoluments in the following ranges are:

	2023 Numbers	**2022 Numbers**
£60,001 - £65,000	16	15
£70,001- £75,000	6	7
£90,001 - £95,000	-	2
£95,001 - £100,000	2	-
£130,001 - £135,000	1	1
	25	**25**

8) SENIOR POST-HOLDERS' EMOLUMENTS

Number of senior post-holders, including the Principal was:	**10**	**10**

	2022-23	**2021-22**
Senior post-holders' emoluments are made up as follows:	***£000***	***£000***
Salaries	889	876
Pension contributions	182	175
Total Emoluments	**1,071**	**1,051**

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

	2022-23	**2021-22**
	£000	***£000***
Principal	132	131
Pension contributions	25	25

No senior post-holder received any benefits in kind.

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

The Principal and 6 other senior post holders were members of the Strathclyde Pension Fund, a further 3 senior post holders were members of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members of staff.

The members of the Board of Management with the exception of the Chair, the Principal and the staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
9) OTHER OPERATING EXPENSES		
Teaching departments	2,602	2,364
Catering	273	187
Other income generating activities	322	190
Premises: operating	2,512	2,032
Premises: maintenance	5,296	1,617
Administration	3,654	4,206
FE and HE childcare (Note 25)	748	770
	15,407	**11,366**
Included in Administration expenses are:		
Auditors remuneration (inclusive of VAT)		
Internal audit services	22	21
External audit services	50	35
Other services	10	10

10) INTEREST PAYABLE

On bank loans, overdrafts and other loans	83	104
Pension interest costs (Note 23)	-	509
	83	**613**

11) TAXATION

The Board of Management does not consider that the College is liable for any Corporation Tax arising out of its activities during the year.

Notes to the Financial Statements

12) TANGIBLE FIXED ASSETS

	Inherited Land & Buildings £000	*Other Land & Buildings £000*	*Equipment £000*	*Total £000*
Cost or valuation				
At 1 August 2022	57,674	53,352	2,600	**113,626**
Additions in year	-	-	286	**286**
Revaluation	8,452	5,841	-	**14,293**
At 31 July 2023	66,126	59,193	2,886	**128,205**
Depreciation				
At 1 August 2022	3,003	1,627	2,383	**7,013**
Charge for year	2,709	1,626	230	**4,565**
Revaluation	(4,887)	(3,253)	-	**(8,140)**
At 31 July 2023	825	-	2,613	**3,438**
Net book value at:				
31 July 2023	**65,301**	**59,193**	**273**	**124,767**
31 July 2022	54,671	51,725	217	106,613
Analysis of net book value at 31 July 2023				
Inherited	30,631	-	-	30,631
Financed by capital grant	34,670	-	249	34,919
Other	-	59,193	-	59,193
Leased	-	-	24	24
	65,301	**59,193**	**273**	**124,767**

Land and buildings were independently valued at 31 July 2023 by Ryden, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of RICS Valuation - Professional Standards, January 2022 amendment, FRS 102 and the Government Financial Reporting Manual. The basis of the valuation used was Depreciated Replacement Cost. Had they not been re-valued, inherited and owned Land & Buildings would have had an historic net book value of £40,090,000 (2022: £41,286,000)

Land and buildings with a net book value of £83,349,000 (2022: £72,202,000) have been funded from Exchequer Funds, under the definition found in the Financial Reporting Manual. These assets cannot be disposed of without the prior approval of the Scottish Funding Council, and then any proceeds only used in accordance with their instructions.

Included within Land and Buildings is land with a valuation of £5,924,000 (2022: £5,924,000) which is not depreciated.

Notes to the Financial Statements

	Year ended 31 July 2023	Year ended 31 July 2022
	£000	*£000*

12) TANGIBLE FIXED ASSETS (Continued)

The depreciation charge for the year is analysed as follows:		
Based on cost	1,483	1,411
Based on valuation	3,082	3,082
	4,565	**4,493**
Analysed:		
Owned assets	4,496	4,425
Assets held under finance leases	69	68
	4,565	**4,493**

13) TRADE AND OTHER DEBTORS

Trade debtors	290	295
Other debtors	13	44
Prepayments and accrued income	874	878
Amounts owed by SFC - Job Evaluation	4,596	3,661
Amounts owed by SFC - Other	-	138
	5,773	**5,016**

14) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank loans	293	270
Finance lease	24	68
Trade creditors	327	714
Other creditors	98	830
Accruals and deferred income	9,928	8,640
Amounts owed to SFC	5,079	6,642
Deferred capital grants SFC	1,126	1,038
Deferred capital grants non-SFC	184	184
	17,059	**18,386**

15) CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

Bank loans	457	750
Deferred capital grant SFC	20,007	20,958
Deferred capital grant non-SFC	3,886	4,070
	24,350	**25,778**

16) *ANALYSIS OF BORROWINGS OF THE COLLEGE*

	Year ended 31 July 2023 *£000*	Year ended 31 July 2022 *£000*
a) Bank loans		
Within one year	293	270
Between one and two years	317	293
Between two and five years	140	456
	750	**1,019**

Bank borrowings are secured over specific areas of heritable land and buildings spread a 12 year terms at fixed rates of 7.90%. This will be fully repaid by 2025.

b) Finance Leases		
Within one year	24	68
	24	**68**

The previous 5 year term on finance lease has been extended until November 2023 at a fixed rate of interest of 15.38%.

17) *FUNDED PENSION ASSET*

	Year ended 31 July 2023 £000	*Year ended 31 July 2022 £000* **Restated**
Reserve at start of year	-	(20,280)
Current service cost in year	(3,241)	(6,380)
Past service cost	(227)	(72)
Employer contributions	2,191	2,396
Contributions re unfunded benefits	629	636
Net interest	536	(509)
Transfer to Income and Expenditure	(112)	(3,929)
Pension scheme actuarial gain	17,562	47,960
Asset ceiling adjustment	(17,317)	(23,751)
Balance at 31 July 2023	**133**	**-**

The Prior Year has been restated to reflect recognition of Asset Ceiling adjustment of £23.751 million, and to split out the element of unfunded pension provision of £8.102million per Note 18. Both adjustments are further analysed in Note 23

18) *UNFUNDED PENSION PROVISION*

Pension provision at start of year	(8,102)	(9,877)
Pension scheme actuarial gain	795	1,775
Balance at end 31 July 2023	**(7,307)**	**(8,102)**

The movement in the funded and unfunded pension schemes is further analysed in Note 23

19) *ANALYSIS OF NET CASH / (DEBT)*

	At 31 Jul 2022	Cash Flows	Other Non Cash Changes	At 31 Jul 2023
	£000	*£000*	*£000*	*£000*
Cash	12,826	(1,746)	-	11,080
	12,826	**(1,746)**	**-**	**11,080**
Debt due within one year	(338)	338	(317)	(317)
Debt due after one year	(750)	(24)	317	(457)
	11,738	**(1,432)**	**-**	**10,306**

20) *FINANCIAL COMMITMENTS*

At 31 July 2023 the College had annual commitments under non-cancellable operating leases for Land and Buildings as follows:

	Year ended 31 July 2023	Year ended 31 July 2022
Future minimum lease payments due:	*£000*	*£000*
Expiring within 1 year	110	119
Expiring between two and five years	438	451
Expiring after 5 years	102	222
Total lease payments due	650	792

21) *CAPITAL COMMITMENTS*

The College has no capital commitments at the year end.

22) *RELATED PARTY TRANSACTIONS*

The Board of Management of West College Scotland is a body incorporated under the Further and Higher Education (Scotland) Act 1992. It receives funding from the Scottish Funding Council (SFC).

During the year the College had various material transactions with other entities for which SFC is regarded as the sponsor department, via Students Awards Agency for Scotland, Scottish Enterprise and a number of other colleges and higher education institutions.

In addition the College has had a small number of material transactions with other Government Departments and other central and local government bodies. Most of these transactions have been with the Employment Service and Local Authorities.

Due to the nature of the College’s operations and the composition of its Board of Management (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arms length and in accordance with the College's and their employer’s normal project and procurement procedures.

22) RELATED PARTY TRANSACTIONS (Continued)

The College had transactions during the year, or worked in partnership with the following publicly funded representative bodies in which members of the Board of Management hold or held official positions:

Member	Organisation	Position	Value of Purchase Invoices (£000)	Value of Sales Invoices £000)
Waiyin Hatton	Colleges Scotland	Chair and Board Member	79	
Waiyin Hatton	Action Against Stalking	Chair and Board Member		
Elizabeth Connolly	Developing the Young Workforce West Region	Board Member		
Elizabeth Connolly	Colleges Scotland	Board Member	79	
Elizabeth Connolly	Renfrewshire Economic Leadership Panel	Member		
Elizabeth Connolly	Renfrewshire Chamber of Commerce	Board Member	12	
Elizabeth Connolly	Renfrewshire Council	Board Member - Local Authority Community Planning Partnership Board	113	116
Elizabeth Connolly	West Dunbartonshire Council	Board Member - Local Authority Community Planning Partnership Board	66	93
Gordon Hunt	College Development Network	Senior Manager	28	
Ronald Leitch	Renfrewshire Chamber of Commerce	Board Member	12	
Ruth Binks	Inverclyde Council	Corporate Director	14	44
Mark Hamilton	University of Strathclyde	Student recruitment officer		45
Mark Hamilton	UWS Student Association	Non-executive trustee		

Notes to the Financial Statements

23) PENSION SCHEMES

The College's employees belong to one of two principal pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund Scheme (SPF), which are both defined benefit schemes.

	31 July 2023	31 July 2022
	£000	*£000*
The total pension cost for the College was :		
Contributions paid	7,420	7,355
Employer service costs (net of employee contributions)	648	3,420
Total pension cost (Note 7)	**8,068**	**10,775**

Scottish Teachers' Superannuation Scheme (STSS)

The STSS is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the STSS is unable to identify its share of the underlying assets and liabilities of the scheme. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuaries at a level to meet the costs of the pensions as they accrue.

A full actuarial valuation was carried out as at 31 March 2016. The valuation has set the rate payable for the scheme for the period 1 September 2019 to 31 March 2023 and that rate is 23%. Under existing legislation the next valuation will be based on scheme data as at 31 March 2020 and will set the employers contributions rate for the period 1 April 2023 to 31 March 2027.

During the year contributions were payable to the STSS at a rate of 23% with no change during the year. The employee contribution rates ranged from 7.2% to 11.9%.

FRS 102

Under the definitions set out in Financial Reporting Standard 102 (FRS 102) Section 28 Employee Benefits, the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College is required by FRS 102 to account for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information on the scheme and the implications for the College in terms of the anticipated contribution rates.

Strathclyde Pension Fund (SPF)

The SPF is a funded defined benefit scheme, with the assets held in separate trustee-administered funds. The total contribution rates are set by the scheme actuaries and were 19.3% for employer contributions throughout the year. The employee contribution rates ranged from 5.5% to 11.2%.

23) PENSION SCHEMES (Continued)

The pension cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions which have the most significant effect on the scheme are:

	At 31 July 2023	At 31 July 2022
Principal Actuarial Assumptions		
Rate of increase in salaries	3.70%	3.45%
Rate of increase for pensions in payment / inflation	3.00%	2.75%
Discount rate for liabilities	5.05%	3.50%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. For 2023 life expectancy was calculated based on the Fund's VitaCurves as in the previous year. The assumed life expectations on retirement age 65 are:

		At 31 July 2023	At 31 July 2022
Current pensioners	Males	19.1	19.6
	Females	22.0	22.4
Future pensioners	Males	20.3	21
	Females	23.9	24.5

Commutation

An allowance is included for 50% of future retirements to elect additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

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

	Year ended 31 July 2023 *£000*	Year ended 31 July 2022 *£000* Restated
Funded Pension Scheme		
Fair value of employer assets	120,380	118,253
Present value of liabilities	(79,179)	(94,502)
	41,201	23,751
Pension asset ceiling adjustment	(41,068)	(23,751)
Net funded pension asset/(liability)	**133**	-

The £133k pension asset ceiling has been derived from using the 'full working life' calculation which forecasts over 11.1 years.
If the 'perpetuity' method of calculation had been used, the pension asset ceiling would have been £923k which forecasts over 76.9 years (2021-22 £935k).

Unfunded Pension Scheme		
Present value of liabilities	(7,307)	(8,102)
Net unfunded pension liability	**(7,307)**	**(8,102)**

Notes to the Financial Statements

23) PENSION SCHEMES (Continued)

	Year ended 31 July 2023 *£000*	Year ended 31 July 2022 *£000* Restated
Amount charged to Comprehensive Income and Expenditure:		
Employer service cost (net of employee contributions) (note 7)	648	3,420
Interest (receivable) / payable on obligation (note 6 and 10)	(536)	509
Actuarial gain on scheme assets	(18,357)	(49,735)
Asset ceiling adjustment	17,317	23,751
Total	**(928)**	**(22,055)**
Changes in the fair value of scheme assets:		
Opening fair value of scheme assets	118,253	116,291
Net interest	4,142	1,866
Contributions by members	660	701
Contributions by the employer	2,191	2,396
Contributions in respect of unfunded benefits	629	636
Benefits paid	(2,519)	(2,309)
Unfunded benefits paid	(629)	(636)
Expected (loss) / return on assets	(2,347)	(692)
Closing fair value of scheme assets	**120,380**	**118,253**
Changes in the present value of the defined benefit obligation:		
Opening defined benefit obligation	102,604	146,448
Current service cost	3,241	6,380
Past service cost	227	72
Interest cost	3,606	2,375
Contributions by members	660	701
Estimated benefits paid	(2,519)	(2,309)
Estimated unfunded benefits paid	(629)	(636)
Actuarial (gain) / loss	(20,704)	(50,427)
Closing defined benefit obligation	**86,486**	**102,604**
History of experience losses		
Scheme assets	120,380	118,253
Defined benefit obligation	(86,486)	(102,604)
Surplus	**33,894**	**15,649**
Experience losses on scheme assets	**(2,347)**	**(692)**
Experience gains on scheme liabilities	**20,704**	**50,427**

23) PENSION SCHEMES (Continued)

	Year ended 31 July 2023 *£000*	Year ended 31 July 2022 *£000* Restated
Net assets excluding pension liability	100,344	95,940
Pension asset	(7,307)	-
Net assets including pension liability	**93,036**	**95,940**

The analysis of amounts charged to the Statement of Comprehensive Income and Expenditure (SOCIE) is as follows:

	Year ended 31 July 2023 *£000*	Year ended 31 July 2022 *£000* Restated
Analysis of the amount charged to staff costs (Note 7):		
Current service cost	(3,241)	(6,380)
Past service cost	(227)	(72)
Total charged to staff costs	**(3,468)**	**(6,452)**
Analysis of the amount (due) / charged to pension interest (Note 6 and 10):		
Expected return on pension scheme assets	4,142	1,866
Interest on pension scheme liabilities	(3,606)	(2,375)
Net pension interest income / (charge)	**536**	**(509)**
Charge to other comprehensive income:		
Return on assets excluding amounts included in Interest	(2,347)	(692)
Experience gains arising on the scheme liabilities	(5,316)	265
Changes in assumptions underlying the present value of the scheme liabilities	26,020	50,162
Asset ceiling adjustment	(17,317)	(23,751)
Actuarial gain	**1,040**	**25,984**
Total (charge) / income to the SOCIE	**(1,892)**	**19,023**
Analysis of the movement in deficit during the year		
Deficit in scheme at beginning of the year:	(8,102)	(30,157)
Movement in year:		
Current service cost	(3,241)	(6,380)
Past service cost	(227)	(72)
Contributions	2,191	2,396
Contributions in respect of unfunded benefits	629	636
Total net interest	536	(509)
Actuarial gain	18,357	49,735
Asset ceiling adjustment	(17,317)	(23,751)
Deficit in scheme at end of the year	**(7,174)**	**(8,102)**
Fair value of funded pension scheme asset	133	-
Fair value of unfunded pension scheme liability	(7,307)	(8,102)
	(7,174)	**(8,102)**

24) FE BURSARY AND OTHER STUDENT SUPPORT FUNDS

	FE Bursary	EMAs	Other	Total 31 July 2023	Total 31 July 2022
	£000	*£000*	*£000*	*£000*	*£000*
Balance b/fwd.	964	-	24	**988**	50
Allocation/Receipts in year	9,978	336	1,497	**11,811**	12,345
Expenditure	(9,123)	(336)	(1,167)	**(10,626)**	(11,387)
Repaid to SFC	(964)	-	(14)	**(978)**	(50)
Balance c/fwd.	**855**	**-**	**340**	**1,195**	**958**
Represented by:					
Repayable to SFC	855	-	340	**1,195**	988
Repayable to College by SFC	-	-	-	**-**	(30)
	855	**-**	**340**	**1,195**	**958**

The above grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

25) CHILDCARE FUNDS

	Total 31 July 2023	Total 31 July 2022
	£000	*£000*
Balance b/fwd.	-	-
Allocation received in period	748	770
Expenditure	(748)	(770)
Balance c/fwd.	**-**	**-**

Childcare fund transactions are included within the College SOCIE in accordance with Accounts Direction issued by the Scottish Funding Council.

26) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets as at the balance sheet date.

27) IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

Following reclassification, colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

	Year ended 31 July 2023	Year ended 31 July 2022
	£000	*£000*
Deficit before other gains and losses (FE/HE SORP basis)	(2,624)	(6,294)
Add: Depreciation budget for government funded assets (net of deferred capital grant)	3,255	3,209
Operating Surplus / (Deficit) on Central Government accounting basis	**631**	**(3,085)**

Under the FE/HE SORP, the College recorded an operating deficit of £2,624,000 for the year ended 31 July 2023. After adjusting for the non-cash allocation provided under the government rules, the College shows an “adjusted” surplus of £631,000 on a Central Government accounting basis.

Further information relating to factors affecting the Deficit before other gains and losses (FE/HE SORP basis) are reflected in the adjusted operating table which can be found in the Performance Report on pages 11 to 15.

The following note is taken from the 2022-23 SFC Accounts Directions and has been included as required by the SFC. It does not form part of the Financial Statements.

Accounts direction for Scotland's colleges 2022-223

1 It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.

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

3 Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2022-23 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.

4 Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2023.

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

6 Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
20-Jul-23

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