



Annual Report and Accounts 2016-17

Chair's Foreword

It is my pleasure to introduce the Glasgow Colleges' Regional Board's third annual report and accounts. In my time as GCRB Interim Chair, and as GCRB Vice Chair prior to this, I have seen GCRB strengthen as an organisation and as a leader of college education in Glasgow.

This report outlines this year's impressive progress in developing the capacity, structures and effective relationships needed to deliver the high quality and coherent college system that Glasgow and its learners deserve. As a result of this work, the SFC granted GCRB fully-operational fundable body status on 1 April 2017.

This report also describes how we are already building a consistent regional college provision; aligning learning with jobs and Glasgow's economic growth and creating wider access to life changing college education. Our collective achievements this year include:

- working with the Glasgow colleges and regional stakeholders to develop Glasgow's first *Regional Strategy for College Education*;
- coordinating and delivering the Regional Outcome Agreement goals;
- building a regional collaborative management structure;
- developing regional funding arrangements to align Glasgow's capital expenditure with areas of greatest regional need and to support regional efficiencies;
- saving £1.7 million over two years through a regional approach to procurement that frees up funds for learning; and
- implementing engagement structures which offer 'one door' access for our stakeholders.

At this pivotal point in GCRB's development, I am proud to report on this year's considerable progress and the evidence that our work is already adding value to education.

Our achievements are a direct result of committed collaboration between the GCRB, the colleges and all our stakeholders. On behalf of the Board, I'd like to thank all those who have contributed to this year's success and all those who continue to work towards fulfilling our ambitions for Glasgow, its colleges and its learners.



Grahame Smith, GCRB Interim Chair

18 December 2017

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A) The Performance Report

Section 1. Overview

This Performance Report provides information on the Glasgow Colleges' Regional Board (GCRB), its main objectives and strategies and the principal risks that it faces. The report contains a statement of the purposes and activities of the organisation, a statement from the Executive Director providing their perspective on the performance of the organisation over the period, an overview of the key issues and risks that could affect the entity in delivering its objectives, and a performance summary.

The GCRB Board is satisfied it has adequate resources to continue in operation for the foreseeable future and therefore, a going concern basis has been adopted in the preparation of the accounts.

1.1 Purposes and Activities of the Glasgow Colleges' Regional Board (GCRB)

The GCRB is a regional strategic body established by the Further & Higher Education (Scotland) Act 2005 (as amended by the Post 16 Education (Scotland) Act 2013). Our role is to secure the coherent provision of a high quality of fundable further and higher education across the Glasgow College Region and our functions include:

- improvement of regional economic and social well-being;
- planning of college education;
- funding of the three Glasgow colleges;
- performance monitoring;
- promotion of collaboration and sharing of good practice;
- good governance and compliance;
- efficiency studies;
- promotion of the SFC's Credit and Qualification Framework;
- appointment of its own Board members (with approval by Ministers); and
- appointment of Board members of the three assigned colleges.

SFC granted GCRB fully-operational fundable body status on 1 April 2017.

1.2 GCRB Executive Director Statement of Performance

GCRB's focus for this year has been on developing the capacity, structures and effective relationships needed to support its leadership role in delivering a high quality and coherent college system for the Glasgow region.

GCRB has made substantial progress establishing our leadership of an inclusive, responsive and effective regional college education service. This section of the report details key elements of that progress:

- the Board's high-level achievements for the year 2016-17;
- the development of a regional financial management capacity;
- the outcomes of internal audit;

- developmental work to integrate new quality arrangements for Scotland's colleges within the Regional Outcome Agreement process; and
- an outline of future regional priorities.

A) Significant Achievements

In a productive year of ground-breaking work, we can highlight the following regional achievements:

- **We established the necessary arrangements that enabled the Scottish Funding Council to award GCRB its fully-operational fundable body status.** This means that we can discharge all our functions under the Post 16 Education (Scotland) Act 2013 from the 2017-18 academic year onwards.
- **We have coordinated and delivered our Regional Outcome Agreement goals.** While continuing to support high quality student experiences and outcomes, we oversaw 15,000 Credits of inter-college transfers of activity. This facilitated the closure of the poorest quality accommodation of the Glasgow estate and ensured better use of the three colleges' resources and facilities.
- **We have developed and launched Glasgow's first *Regional Strategy for College Education*.** Developed in collaboration with regional partners and the Glasgow Colleges, our strategy will build Scotland's most inclusive, most responsive and most effective regional college system.
- **We have developed and implemented an enhanced stakeholder engagement structure.** Colleagues in education, partners in industry and other stakeholders now benefit from 'one-door' access to GCRB. Our 'Glasgow's Big Asks' event gathered stakeholders' views on the future strategic priorities for the Glasgow college region.
- **We have further developed regional funding arrangements that align better with strategic goals.** For example, national formula-based approaches have been replaced with a regional needs-based, capital funding process. This ensures that Glasgow's capital expenditure is strategically aligned to areas of greatest regional need. It also supports regional efficiencies.
- **We have built an efficient regional collaborative management structure.** Now, nominated Regional Leads are developing shared delivery approaches in areas such as Curriculum and Quality, Organisational Development, Student Experience and Student Data Systems.
- **We have saved £1.7 million through a regional approach to procurement managed by APUC.** Over two years, we have freed up more regional resources for learning using national frameworks for purchases as varied as library systems, sports and art kits, security services, and waste management.

Section 2.1 of this annual report provides further evaluation of regional performance in relation to curriculum alignment to skills needs and the quality of learner experiences and outcomes.

B) Development of GCRB's Financial Management Arrangements

We have built a sound financial staffing capacity and strong administration to ensure our robust financial management and effective control over circa £100 million in funding. This management was a key factor in the SFC's decision to award GCRB fully-operational fundable body status.

New financial procedures were developed on a consultancy basis by GCRB's Internal Auditor, Henderson Loggie, working in liaison with the GCRB Executive Director, assigned college and SFC finance team representatives. To ensure the appropriate segregation of duties, it was agreed that SFC members of staff would administer the GCRB bank account on our instruction, underpinned by a Service Level Agreement between GCRB and SFC.

We have also developed our funding approaches (including a method for needs-based capital allocation), documentation for awarding grants, arrangements for GCRB's financial monitoring and reporting, arrangements for insurance cover, and new policies to prevent fraud and bribery.

Our Board decided to consolidate the Glasgow Region financial statements. This will help standardise accounting policies, develop an increased understanding of regional finances and support our longer-term goal to enhance efficiency.

We agreed that this consolidation should take effect when GCRB had been granted fully operational fundable body status and had assumed all the responsibilities associated with a Regional Strategic Body. Although the SFC awarded fundable body status with effect from 1 April 2017, it was from 1 August 2017 that GCRB effectively began to distribute funds to the assigned colleges and to be held fully accountable for this by the SFC through delivery of the 2017-18 Glasgow ROA. It was therefore agreed to consolidate regional accounts from August 1, 2017 onwards.

C) Outcomes of Internal Audit Activity

Henderson Loggie has been appointed as GCRB's internal auditor for the period of 2016-17 to 2019-20.

At GCRB's request, the internal auditor reviewed GCRB's systems and their compliance with the SFC Financial Memorandum. The review also examined the reporting required from assigned colleges to the GCRB. The internal audit report concluded that GCRB has a strong governance structure in place, along with staff job descriptions, policies and procedures, a Financial Procedures Manual, and financial and Human Resources processes supported by the assigned colleges. However, the report stated that the level of assurance required improvement and eleven recommendations were agreed with the auditor, including changes required to be made to GCRB policies and procedures, and in relation to the information required from the assigned colleges to ensure that there is full compliance with the SFC Financial Memorandum going forward. To date, six of these recommendations have been fully implemented, four partially completed and one was not progressed.

The review of GCRB Risk Management and Oversight of Assigned College's Risk Management followed on from the work undertaken in this area during 2015/16 by Henderson Loggie. Our continuing review sought to implement further elements of risk management good practice. This will ensure that robust internal control systems are in place to identify, assess, manage and report on risks. We also considered how GCRB's systems interact with those of the assigned colleges. The review concluded that there was a satisfactory level of assurance and that GCRB has a risk management framework with a detailed risk management policy, procedure, guidance, risk appetites, and risk scoring definitions. The risk register is regularly reviewed and reported to the GCRB Board with detailed risk mitigating action plans.

The internal auditor suggested approaches to make the risk management framework clearer and more effective. This will support the Board's robust review of risks. As part of this development, the internal auditor facilitated two risk workshops:

- a joint workshop for Audit Committee members from GCRB and the assigned colleges to share views of institutional and shared risks; and
- a workshop for GCRB Board members which provided an opportunity for the GCRB Board to consider good practice and reach a consensus on critical risks for GCRB.

Based on the above review and development work, in September 2017 the GCRB Board agreed a revised Risk Register containing the risks identified at its workshop. This, in addition to its revised Risk Policy and Procedure, means that we are confident in GCRB's risk management.

D) Implementation of New Quality Arrangements for Scotland's Colleges

In December 2016, the Scottish Funding Council and Education Scotland introduced new arrangements for assuring the quality of learning and teaching in Scotland's colleges.

The new arrangements integrate institutional quality arrangements and Regional Outcome Agreement evaluation into a single set of arrangements. Both Education Scotland and the SFC recognise that, in multi-college regions, assigned colleges will each produce Evaluative Reports and Enhancement Plans. It is also recognised that regional bodies will continue to produce a regional summary of progress against outcome agreement measures and targets. Together, these reports will form a coherent assessment of quality across the region and provide assurance that quality improvement actions are identified and addressed.

This year, GCRB has worked collaboratively with the assigned colleges, Education Scotland inspectors, and SFC outcome agreement managers, to develop and implement substantial quality arrangements. These align with Regional Outcome Agreement activity and the Glasgow College Region governance structure. The GCRB Performance and Resources Committee receives regular progress reports on the new arrangements.

E) Future Regional Priorities

Our new *Regional Strategy for College Education* sets out collective development priorities for 2017-2022. These include commitments to:

- **Continuing to widen access to life-changing learning.** We will provide inclusive and consistent student support services for residents across the Glasgow region. We will focus our support on people who can benefit most from college learning; helping them to build successful careers and contribute to the region's inclusive economic growth. This commitment will contribute to the Government's and Glasgow Community Planning Partnership's ambition.
- **Continuing to improve the efficiency and effectiveness of learner journeys within the Glasgow region.** We will increase inter-college progression through delivery of an efficient regional curriculum and improve the quality and the effectiveness of college estates.
- **Promoting college learning to school pupils.** We will ensure that all Glasgow Region pupils have a college experience by the end of second year to inform their future subject choices. We will also continue to expand our Senior Phase offer, including Foundation Apprenticeships.
- **Developing a regional approach to student data services.** We will procure new regional MIS software and scope the potential for a regional applications system.
- **Developing regional estates and ICT strategies.** These will support our educational goals and a more efficient service delivery.
- **Providing more opportunities for staff across the region to share knowledge and skills.** We will establish and grow our regional professional learning community.
- **Ensuring that the Fair Work Framework is at the heart of working relationships.** All Glasgow colleges and GCRB will be Accredited Living Wage Employers.

1.3 Key Issues and Risks for GCRB

GCRB's risk register has been redeveloped continuously to review and strengthen our assessment and management of regional risks.

In May, GCRB's internal auditor, reviewed GCRB's risk management, including its relationship to college risk management. The auditor's report provided a satisfactory level of assurance and highlighted areas for future development.

In June the GCRB board participated in a risk management workshop which provided an opportunity for members to identify and agree key risks facing GCRB, and to discuss specific aspects of the GCRB risk management framework.

These activities informed our revised risk management framework. It was agreed by the GCRB Board at its September meeting. The following key risks were identified:

- If GCRB fails to respond proactively to macro-economic changes e.g. economic downturn, political changes, Leaving the EU, Scottish Independence Referendum.
- If GCRB does not develop or maintain effective working relationships with key partners (e.g. Scottish Funding Council, Scottish Government, Skills Development Scotland, Local Authorities, Universities, Employers and Schools).
- If the reputation of Further Education in Glasgow is damaged.
- If GCRB misses opportunities to add value via the strategic plan.
- If the curriculum offer does not effectively meet regional economic and social needs (e.g. widening access).
- If the quality of Learning and Teaching falls below the required standard.
- If GCRB's financial sustainability is jeopardised by a reduction in funding and/or an increase in costs.
- If GCRB fails to achieve the aims and targets set out in the Regional Outcome Agreement.
- If working relationships within the Glasgow College Region (e.g. students, staff, board members) are ineffective.
- If our approach to people issues (e.g. equality/diversity, skills mix, resourcing of GCRB) is unsatisfactory.
- If standards of governance fall below the level required.
- If there is a breach of legislation/guidance/code of practice.
- If Inadequate measures are put in place to respond to a breach of security/safety (e.g. Cyber Attack).

We have plans for actions to mitigate and reduce each of these risks. Every Board meeting includes an update on issues, risks and plans to reduce them.

1.4 Performance Summary

The Glasgow Colleges' Regional Board has strengthened and developed this year. We now operate an effective public body driving the delivery of an inclusive, responsive and effective regional college system.

The Scottish Government, Funding Council and our stakeholders now experience the added value that GCRB's approach to funding can deliver. Our evidence-based and regionally- prioritised funding is driving efficiencies and reducing costs.

Learners also benefit from the value that our shared strategic focus adds to the regional curriculum and student experience. The Regional Foundation Apprenticeship programme illustrates these benefits; offering more choice to learners and providing better support to employers.

College staff experience GCRB's added value via collaboration, distributed leadership and regular consultation. They now have a greater say in the organisation of college services across the Glasgow region.

Section 2. Performance Analysis

2.1 Evaluation of Regional Outcome Agreement Performance

GCRB's statutory function is to meet regional economic and social needs by securing the coherent provision of a high quality of fundable further and higher education across the Glasgow College Region delivered by the assigned Glasgow colleges.

The annual Regional Outcome Agreement (ROA) provides the key planning and performance monitoring framework for the delivery of this statutory responsibility to provide an inclusive, responsive and effective regional education service.

We submitted a formal evaluation of progress towards the 2016-17 ROA to the Scottish Funding Council on October 31, 2017. The evaluation was based on a range of evidence: indicative 2016-17 student data, stakeholder feedback; environmental scanning information; discussions held at regional operational groups and; the quality review and enhancement activity led by Education Scotland.

The evaluation of regional goals showed that significant collective progress has been made towards its targets. Areas of particularly impressive performance included:

- **All three colleges' delivery of core and additional European Social Funded provision.** This represents a strong regional performance in meeting increased targets, delivering the new regional curriculum and estates plan, and overcoming significant financial and planning challenges.
- **The delivery of a curriculum related to identified regional and national economic needs.** Throughout 2016-17, we worked continually with our stakeholders to align the regional curriculum with skills needs identified from: the new Glasgow Regional Skills Assessment for 2016/17; the Glasgow Economic Strategy 2016-2023; the Scottish Government's commitment to increasing childcare provision; the national STEM strategy consultation; the draft City Deal strategy and; and the demand for ESOL across the Glasgow College region.
- **Widened access across the region.** About a third of Glasgow's households fall within postcodes that are classed within the 10% most deprived in Scotland and the Glasgow region exceeded its target for the volume of Credits delivered to residents from these postcodes. Increased delivery of Further Education Credits also directly addressed the challenge of high levels of Glasgow's residents having low or no qualifications. The three Glasgow Colleges have also developed progressive institutional Access and Inclusion Strategies and Gender Action Plans to increase the representation of priority groups amongst our students.
- **High proportions of learners moving on to positive destinations.** Post course progression data for the 2015-16 leaver cohort shows that they continue to exceed the three-year targets set for the Regional Outcome Agreement and the national average levels for 2015-16.

- **Expansion of school and college partnership activity.** The colleges have increased the range, relevance and extent of study opportunities for school pupils. This has resulted in a 22% increase in the number of senior phase vocational pathways in the Glasgow College Region.
- **One of Scotland's largest Foundation Apprenticeship programmes.** All S5 students in the Glasgow College Region have access to a broad range of courses and the opportunity to gain industry-recognised qualifications. Regional Foundation Apprenticeships respond to regional skills needs; supporting business and economic growth.

Our ROA Review also identified areas for improvement:

- **Rates of attainment in full-time courses.** Following several years of increase, full-time attainment, particularly in further education, has dipped by around 2%. We note that part-time attainment success rates were either above or broadly in line with the targets set in the 2016-17 ROA.
- **Intra-region progression within a coherent regional curriculum.** Whilst around 65% of 2015 leavers progressed to further study within their own college, levels of progression between the Glasgow colleges remained at 3%.

We will address these two areas for improvement through our 2017-18 Regional Outcome Agreement activity and through the Education Scotland endorsed college enhancement plans for 2017-18.

2.2 Funds Allocation

A key responsibility of GCRB is to allocate funding to the assigned colleges. We require a fair, transparent, appropriate and robust basis on which to allocate resources.

This year, the GCRB executive and senior college finance managers have worked together to develop our regional Credit funding model. This is based on the simplified model used by the SFC and ensures that funding decisions are based on evidence, transparent, responsive to regional curriculum needs, respectful of assigned colleges' contributions, and support continued financial sustainability.

The Board also agreed a Capital Funding Policy for 2017-18. This allocated half of the available funds to the colleges for lifecycle maintenance, and retained the other half to finance capital projects on a needs basis.

A bidding process for capital funding prioritised the following outcomes: equitable services for all; opportunities for learning; sustainable institutions; and regional development.

We will develop regional strategies for estates and ICT over the next year to encourage further collaboration and support regional priorities.

2.3 GCRB's Financial Performance

For the period under review, GCRB's running costs were funded from the SFC's core grant to the Glasgow region. The Accounts for the period report total expenditure relating to GCRB's running costs of £321,928. The reported deficit for the year ending 31 July 2017 is £13,000 which related to the inclusion of the actuarial valuation of the Strathclyde Pension Fund.

We will continue to work closely with the three colleges to minimise regional governance and management costs and deliver maximum value from all our activities.

We note that, on an annualised basis, the GCRB's expenditure for the accounting period represents around 0.4% of the total SFC grant of £79,548,236 provided to the Glasgow region in 2016-17.



2.4 Scottish Government Sustainability Reporting

In order to minimise running costs, GCRB accommodation and office services are provided by the City of Glasgow College. Therefore, any related sustainability reporting requirements as set out within the Climate Change (Scotland) Act 2009 are provided within returns made by the City of Glasgow College.

2.5 Payment of Creditors

During the accounting period responsibility for handling GCRB's financial transactions lay with the City of Glasgow College. GCRB seeks to comply with the CBI Prompt Payment Code, and has a policy of paying its suppliers within 30 days of invoice date unless the invoice is contested. All disputes and complaints are handled as quickly as possible. No interest or late payment penalties were paid during the year. The average creditor's payment period throughout 2016-17 was 48 days and we are working to reduce this during 2017-18.

The Performance Report has been approved by the Board and signed on its behalf by:

<p>Grahame Smith, GCRB Interim Chair</p> <p>Signature:</p>  <p>Date: 18 December 2017</p>	<p>Robin Ashton, GCRB Executive Director</p> <p>Signature:</p>  <p>Date: 18 December 2017</p>
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B) The Accountability Report

Section 1. Corporate Governance Report

1.1 Directors' Report

Leadership of the GCRB

Robin Ashton was appointed as permanent Executive Director of GCRB on 16 May 2016.

Board membership

The tables below set out the membership of the GCRB Board and its Committees for the period under review. Registers of interest are maintained for all individuals currently serving and listed in the Directors' Report. These are available at: <http://www.gcrb.ac.uk/boardmembers>

Member	Type of member, background and related parties	Appointment start date	Appointment end date
Served during the period 1 August 2016 to 18 December 2017			
Andrew Aitken	Student member. Student President Glasgow Kelvin College	18/05/15	31/08/16
Alisdair Barron	Chair of assigned college (City of Glasgow College). HR professional.	01/11/15	31/07/20
Paul Buchanan	Ordinary member. Management consultant. Formerly Chair of Reid-Kerr College.	17/05/16	31/07/18
Margaret Cook	Chair. Human Resources and Organisational Development Consultant. Formerly HR Director at Edinburgh Napier University and Heriot-Watt University.	01/02/16	14/07/17
Frank Coton	Ordinary member. Vice-Principal (Academic and Educational Innovation), University of Glasgow. Member of SFC's board.	09/11/15	31/07/18
Amparo Fortuny	Student member. Student President Glasgow Clyde College.	01/09/16	23/06/17
Lesley Garrick	Ordinary member. Management consultant and former senior manager in the NHS.	17/05/16	31/07/18
Ian Gilmour	Student member. Student President City of Glasgow College.	30/09/15	30/06/17
Irving Hodgson	Chair of assigned college (Glasgow Kelvin College). Planning and Development Consultant.	01/05/14	31/07/18
Clare Ireland	Staff member. Employed as staff member at Glasgow Clyde College.	01/05/14	21/07/18
Carol Kirk	Ordinary member. Education consultant.	01/05/14	31/05/18

Member	Type of member, background and related parties	Appointment start date	Appointment end date
Caroline MacDonald	Ordinary member. Formerly Deputy Vice Chancellor at Teesside University.	09/11/15	31/07/18
Maureen McKenna	Ordinary member. Executive Director of Education Services, Glasgow City Council.	01/05/14 Reappointed: 02/03/16	02/04/15 31/07/18
Alastair Milloy	Ordinary member. Director of Finance and Resources, Glasgow School of Art.	22/08/17	31/07/21
David Newall	Chair of assigned college (Glasgow Clyde College). Formerly Secretary of Court, University of Glasgow.	15/07/16	14/07/20
Leonie O'Connor	Ordinary member. Chartered Accountant.	10/02/15	29/08/16
Jim O'Donovan	Staff member. Employed as staff member at City of Glasgow College.	01/05/14	31/07/18
Jackie Russell	Ordinary member. Director of Human Resources, Royal Conservatoire of Scotland.	09/11/15	31/07/18
Grahame Smith	Ordinary member and Interim Chair (from 16/07/17). General Secretary of the Scottish TUC. Member of the SDS/SFC Joint Skills Committee.	01/05/14	31/05/18
Mike Ward	Ordinary member. Freelance Finance Director and Chartered Management Accountant.	27/02/17	31/07/20

Membership of the Performance & Resources Committee

Member	Appointment start date	Appointment end date
Carol Kirk	31/03/15	31/05/18
Jim O'Donovan	31/03/15	31/07/18
Frank Coton	09/11/15	31/07/18
Caroline MacDonald	09/11/15	31/07/18
Paul Buchanan	17/05/16	31/07/18
Amparo Fortuny	01/09/16	23/06/17

Membership of the Nominations & Remuneration Committee

Member	Appointment start date	Appointment end date
Grahame Smith	09/07/14	31/05/18
Ian Gilmour	07/12/15	30/06/17
Jackie Russell	09/11/15	31/07/18
Clare Ireland	25/01/16	31/08/18
Lesley Garrick	17/05/16	31/07/18

Membership of the Audit Committee

Member	Appointment start date	Appointment end date
Leonie O'Connor	31/03/15	29/08/16
Grahame Smith	31/03/15	31/05/18
Caroline MacDonald	09/11/15	31/07/18
Maureen McKenna	02/03/16	31/07/18
Paul Buchanan	17/05/16	31/07/18
Mike Ward	27/02/17	31/07/20

1.2 Statement of Board Responsibilities

The GCRB Board exists to secure the coherent provision of high quality fundable higher and further education in Glasgow through its three assigned colleges (City of Glasgow College, Glasgow Clyde College, and Glasgow Kelvin College). It does this mainly through taking a regional approach to planning, performance and funding. It also promotes collaboration, sharing of good practice, effective governance and positive learner journeys through a structured approach to regional curriculum planning and delivery. It must achieve all of this economically, efficiently and effectively while having particular regard to improving economic and social well-being, meeting skills needs and supporting the participation of under-represented groups.

In short, GCRB is designed to be an enabling body with a strategic regional focus. Delivery remains with the assigned colleges who are the employing bodies and who retain their own Boards of Management. Through consultation, agreement and collaboration, GCRB guides and supports the assigned colleges in their delivery of a coherent, affordable and sustainable regional approach. It must add value so that the three colleges working collaboratively within the regional structure can achieve more than any of them could do individually.

The Board must prepare accounts that give a true and fair view of GCRB's state of affairs and of the surplus or deficit and cash flows for that year. In causing the accounts to be prepared, the Board has ensured:

- suitable accounting policies are selected and applied consistently;
- reasonable and prudent estimates and judgements have been made;
- applicable accounting standards have been followed, subject to any material departures explained in the accounts;
- SFC funds are used only for the given purposes and in accordance with the Financial Memorandum with the SFC and any other conditions the SFC may prescribe; and
- the Accounts are prepared on the going concern basis unless it is inappropriate to presume the GCRB will continue in operation.

The Board is satisfied it has adequate resources to continue in operation for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the accounts.

1.3 Governance Statement

Introduction

GCRB has in place arrangements that are designed to ensure that corporate governance is exercised in accordance with the principles for good governance set out in the Financial Memorandum between the SFC and the GCRB and in the *Code of Good Governance for Scotland's Colleges*. These arrangements are detailed in the sections below.

Statement of Compliance with Code of Good Governance

The Audit Committee received a report further to a review of compliance with the Code of Good Governance on 15 May 2017 and reported to the Board on 4 September providing assurance on compliance with the Code with one exception:

An area of partial compliance was identified in relation to the existence of a combined Nominations and Remuneration Committee which included both Staff and Student Board Members. The Board noted the reference, at section C.20 of the Code of Good Governance, to a designated committee of non-executive members with responsibility for setting the remuneration of the principal.

Taking into consideration a range of factors set out in a detailed explanatory note, including:

- the application of section C.20 to the unique constitution and responsibilities of GCRB;
- the value of staff and student engagement in all areas of governance;
- terms of reference that preserved a non-executive majority of membership and quorum;
- the Committee's adherence to the Code of Conduct in relation to any identified conflict of interest; and
- the opinion of the External Auditor, which was that this was not a material point of non-compliance,

Based on the above, it was agreed that the Board should retain a dual Nominations and Remuneration Committee including Staff and Student Members.

Board Membership

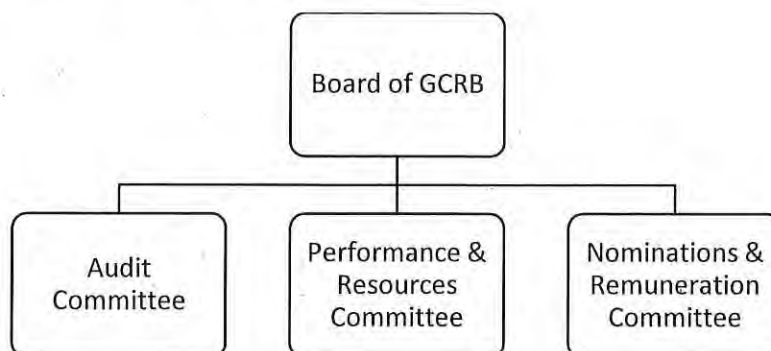
The Chair of the Board of the GCRB is appointed by Scottish Ministers. Other members are appointed as follows:

- the Chairs of the three assigned colleges;
- two elected staff members (one teaching and one non-teaching);
- two nominated, or elected, student members; and
- up to ten other board members appointed by the Board of the GCRB (and approved by both the Chair of the GCRB and Scottish Ministers).

Staff and student members were appointed through normal election and nomination processes. Apart from the Chairs of the assigned colleges, all other members of the Board were appointed by the Board with the approval of Scottish

Governance Structure

The following diagram outlines GCRB's governance structure:



The Board of GCRB held six formal meetings during the 2016-17 academic year. Two further meetings have been held so far within the 2017-18 academic year. The Nominations & Remuneration Committee met on six occasions, the Audit Committee four times and the Performance & Resources Committee seven times.

Audit Committee Remit

The Audit Committee advises the Board on:

- the strategic processes for risk, control and governance and the governance statement;
- the accounting policies, the accounts, and the annual report of the Board, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- the effectiveness of the internal control environment;
- assurances relating to the corporate governance requirements for the organisation;
- proposals for tendering for internal audit services or for purchase of non-audit services from contractors who provide audit services; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The Audit Committee shall:

- review the adequacy and security of arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- review procedures for detecting fraud;
- review systems and controls for the prevention of bribery and receive reports on non-compliance;
- review arrangements proposed for special ad hoc investigations;
- receive a report on GCRB compliance with the Code of Good Governance annually from the GCRB Secretary; and
- monitor the effectiveness of external audit and report its findings to the Board.

In relation to internal audit, the Audit Committee shall:

- monitor and review the effectiveness of the internal audit function in the context of its overall risk management system;
- make recommendations to the Board for the appointment and removal of the internal auditor;
- review and assess the annual internal audit plan;
- review reports from the internal auditor;
- review and monitor the executive's responses to the findings and recommendations of the internal auditor;
- meet the internal auditor at least once a year, without the executive being present, to discuss the remit and any issues arising from the internal audits carried out. The internal auditor has the right of direct access to the Chair of the Board and to the Audit Committee.

In relation to the assigned colleges the Audit Committee will advise on:

- the annual reports received from the assigned colleges' heads of internal audit;
- any notification in relation to the appointment, removal or resignation of an internal auditor; and
- any enquiries or monitoring of the assigned colleges including but not limited to situations where access to the colleges' external auditors may be required or where reports from the assigned colleges internal audit function are being considered.

Performance & Resources Committee Remit

- advises the Board on the proper control and management of the region's financial resources;
- advises the Board in relation to any matter relating to compliance with the Financial Memorandum by any of its assigned colleges;
- advises the Board on any matter relating to the making of a grant, loan or other payment and the conditions relating to any such payments;
- monitors progress against agreed financial targets as set out in the Regional Outcome Agreement;
- advises the Board in relation to ensuring the economic, efficient and effective use of funds;
- monitors the agreed annual plan and budget for the GCRB and advises the Board on any matters of concern and consider and recommend to the Board any proposals for significant or subsequent amendments to the plan or budget during the year;
- monitors progress against agreed targets as set out in the Regional Outcome Agreement;
- advises the Board on all matters relating to the monitoring of performance of the assigned colleges;
- advises the Board in relation to the carrying out of studies designed to improve economy, efficiency and effectiveness in the management or operation of the assigned colleges;
- advises the Board on any matter, internal or external to the Region, which might have a significant effect on any regional plan, outcome agreement or budget during the year;
- ensures that a strategy is in place to achieve Best Value and Value for Money;
- oversees the implementation of regional projects and makes recommendations to the Board in relation to implementation and advises on any matters of concern;

- monitors and keeps under review the effectiveness of the implementation of regional projects and receives reports on a regular basis.

Nominations & Remuneration Committee Remit

- is responsible for overseeing remuneration levels, salary awards, pensions, terms and conditions of employment and any other related matters for the executive and other senior posts within the organisation;
- provides support in reviewing overall executive performance;
- is responsible for the appointment process of the Executive Director and for making recommendations for their appointment to the Board;
- is responsible for reviewing the performance of the Executive Director;
- considers proposals regarding overall remuneration including pay awards across the organisation, making recommendations to go to the Board;
- is consulted on any proposals for major changes to employee benefit structures;
- gives full consideration to succession planning for all Board members in the course of its work, taking into account the challenges and opportunities facing the region, diversity succession planning requirements and the skills and expertise needed on the Boards in the future;
- reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board of GCRB and of the assigned colleges' Boards, and makes recommendations to the Board of GCRB as a consequence;
- ensures that a full evaluation of the balance of skills, knowledge, experience and diversity on the relevant Board has been carried out and that, in the light of this evaluation, an appropriate role description has been agreed before any appointment is made;
- ensures that fair, open and merit based recruitment processes are conducted for the appointment of Board members and that all appointments are made in a manner which encourages equal opportunities and the observance of equal opportunity requirements;
- makes recommendations to the Board of GCRB for its approval in relation to Board member appointments, the process for the election of staff and student Board members, the terms of appointment and committee membership;
- makes recommendations to the Board of GCRB to approve the appointment and terms and conditions of assigned college principals;
- ensure that any severance arrangements to be implemented by the Regional Board, or any of its assigned colleges, are compliant with severance guidance published by the Funding Council and the requirements of the Financial Memorandum;
- is responsible for ensuring that the Board of GCRB reviews its effectiveness annually; and
- shall make recommendations to the Board of GCRB in relation a process for evaluating the effectiveness of the Board Chair and the Committee Chairs.

Board Effectiveness

The Board reviews its performance on an annual basis and considers the implications of this assessment for improving its effectiveness. The process also informs the development needs of the Board.

These self-evaluation arrangements included:

- the completion of an on-line survey by Board members which was issued to Board members in September 2016;
- a self-evaluation discussion at a Board meeting led by one of the members of the Nominations & Remuneration Committee;
- self-evaluation discussions at Committee meetings;
- reviews of the Committee Terms of Reference;
- each member being asked to complete a brief self-appraisal prior to a performance review meeting with the Chair;
- the Vice-Chair discussing with the Chair the collated feedback on the Chair's performance from the self-evaluation survey, and the Chair providing a copy of that feedback to the Scottish Government for use in their formal appraisal of the Chair
- an evaluation of the Chair (in March 2017) led by the Senior Independent Member taking account of feedback received from Board Members on the Chair's performance and responses to the self-evaluation survey (a copy of feedback was provided to the Scottish Government for use in their formal appraisal of the Chair).

Following implementation of the above activities, at its meeting on the 20 February 2017, the Board considered the results of the Board questionnaire, and agreed development themes and other specific development actions. The development themes identified were:

- determining the strategic vision for the region;
- communicating the purpose of GCRB with internal and external stakeholders;
- ensuring that decisions on funding are based on a robust evidence base and that funds are used economically, efficiently and effectively.

The Board approved a Development Plan on 22 March 2017 which was submitted to the Scottish Funding Council by 31 March 2017 and published on the GCRB website.

Board members' attendance at meetings (session 2016-17)

Board members attending board and committee meetings	Board (6 in period)	Audit (4 in period)	Nominations & Remuneration (6 in period)	Performance & Resources (7 in period)
Andrew Aitken	0 of 1			
Alisdair Barron	4 of 6			
Paul Buchanan	6 of 6	3 of 3		6 of 6
Margaret Cook	6 of 6			
Frank Coton	5 of 6			7 of 7
Amparo Fortuny	5 of 6			5 of 5
Lesley Garrick	5 of 6		4 of 5	
Ian Gilmour	6 of 6		1 of 6	
Irving Hodgson	6 of 6			
Clare Ireland	5 of 6		4 of 6	
Carol Kirk	6 of 6			5 of 7
Caroline MacDonald	5 of 6	4 of 4		3 of 7
Maureen McKenna	4 of 6	3 of 4		
Alastair Milloy	0 of 0			
David Newall	6 of 6			
Leonie O'Connor	1 of 1			
Jim O'Donovan	4 of 6			1 of 7
Jackie Russell	6 of 6		6 of 6	
Grahame Smith	3 of 6	3 of 4	4 of 6	
Mike Ward	1 of 1	1 of 1		
	84 of 99	14 of 16	19 of 29	27 of 39
Average Attendance	84.8%	87.5%	65.5%	69.2%

Appointment start and end dates are provided in the Directors' Report.

Corporate strategy

GCRB is responsible for the strategic development of coherent and high quality education across the Glasgow College Region. In May 2017, the GCRB Board approved a *Regional Strategic Plan for College Education* which sets out a five-year vision of the shared ambitions and development priorities of GCRB and the assigned colleges.

The overarching ambition of the plan is to deliver Scotland's most inclusive, most responsive and most effective regional college system. Three areas of regional strategic ambition are identified:

- Ambitious for Glasgow: better lives in a better economy
- Ambitious for learners: Widening access to life-changing learning
- Ambitious for colleges: Unlocking regional potential and adding value

The strategy was officially launched at an event hosted by Regional Foundation Apprentices at Glasgow Kelvin College's East End Campus on 30 October 2017.

Shirley-Anne Somerville MSP, Minister for Further Education, Higher Education and Science, who spoke at the launch said; *“Improving education and life chances is the defining mission of this Government and Glasgow’s regional approach will help build careers and contribute to Scotland’s modern, successful, dynamic economy.”*

The launch event emphasised the importance of collaboration between the colleges, industry and all our stakeholders in realising the strategy’s ambitions for Glasgow, its colleges and its learners.

Progress on delivering our strategic ambitions and related operational objectives will be reported regularly to the GCRB Board and its Committees.

Risk management

GCRB’s risk management policy and guidance contains the following key principles which outline GCRB’s approach to risk management and internal control:

- the Board has responsibility for overseeing risk management within GCRB as a whole;
- regular monitoring of risk is undertaken by the Audit Committee;
- the GCRB adopts an open and receptive approach to risk identification and management;
- this includes consideration and identification of risk tolerances and risk targets to support prioritisation of risks;
- the management team supports, advises and implements policies and strategies approved by the Board;
- the GCRB makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- the management team is responsible for ensuring good risk management practice;
- the management team takes into account the possibility of the differential impact of risks, and risk treatments, upon people who share protected characteristics; and
- key risk indicators will be identified and closely monitored on a regular basis.

GCRB, in general, seeks to treat risks with the potential of negative impact prudently. However, the Board and the management team recognise the possibility of positive outcomes in the treatment of risks, and accordingly are careful to evaluate each risk individually.

Section 1.3 of the overview section of this annual report details key issues and risks identified within GCRB’s current risk register.

Internal audit

Henderson Loggie was appointed as internal auditors in October 2015.

Based on a comprehensive audit needs analysis process, three areas for internal audit work were identified for 2016/17. These are listed below with the respective audit findings in terms of overall level of assurance:

- Compliance with SFC Financial Memorandum: Requires Improvement
- GCRB risk management/oversight of assigned colleges risk management: Satisfactory
- Corporate Planning: Good
- Follow-Up Reviews

For each of the above areas, the reports highlighted a number of areas of strength, alongside identifying some weaknesses. Section 8 in each report provided an action plan to address these areas of weakness, including action owners and planned completion dates. Progress to implement these recommendations is reviewed at each meeting of the GCRB Audit Committee.

The internal auditor's annual report stated that, in their opinion, "GCRB has systems demonstrating adequate and effective arrangements for risk management, control and governance, and proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2016/17 and also in the previous year 2015/16."

Assessment of corporate governance and review of the effectiveness of the system of internal control

The Board is of the view that there is an on-going process for identifying, evaluating and managing GCRB's significant risks. This process is reviewed by the Board through assurances provided by the Audit Committee and GCRB management. On the basis that assurances provided from the sources of assurance outlined above, we can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the period ended 31 July 2017 and up to the date of approval of the Annual Report and Accounts.

Expenditure

The Board is satisfied that all expenditure incurred was in line with its intended purpose and SFC guidance.

Going Concern

The Board is satisfied it has adequate resources to continue in operation for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the accounts.

Section 2. Remuneration and Staff Report

2.1 Remuneration Policy

The remit of the Nominations & Remuneration Committee includes responsibility for advising the Board on the remuneration of GCRB employees, within the context of budgetary constraints and Scottish Government guidance. The remuneration of the Chair is determined by the Scottish Government and all other Board members are non-remunerated. A copy of the Committee's terms of reference is available on the GCRB's website.

2.2 Remuneration Including Salary and Pension Entitlements

Remuneration of the Chair

The following table provides detail of the remuneration of the Chair of the Board of GCRB.

NAME	ACTUAL 12 Months Ended 31 July 2017 £'000	ACTUAL 12 Months Ended 31 July 2016 £'000
Margaret Cook (for period 01/02/16 to 14/07/17)	40-45	15-20
Grahame Smith (for period 16/07/17 to 31/12/17)	0	n/a

An annual equivalent has not been included because the Chair is remunerated on the basis of a daily fee, subject to an annual maximum. The Chair is not entitled to a pension in respect of their office. In 2016/17, the Chair of the Board of GCRB spent a significant amount of time representing the Employers side of the national negotiation process. The cost of time spent on this national process was reimbursed to GCRB by Colleges Scotland.

Salary entitlements

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

Name	ACTUAL					
	Year ended 31 July 2017			Year ended 31 July 2016		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Salary of Robin Ashton 01/08/16 to 31/07/17	80-85	10-15	95-100	15-20	1-5	15-20

	ANNUAL EQUIVALENT					
	Year ended 31 July 2017			Year ended 31 July 2016		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Name						
Salary of Robin Ashton 01/08/16 to 31/07/17	80-85	10-15	95-100	80-85	10-15	95-100

Notes on salary information:

- No members of the Board or of senior management received any benefits in kind, bonuses or overtime in addition to their remuneration or salary.
- There have been no exit, or termination costs, during the year.
- Robin Ashton is an employee of Glasgow Kelvin College, seconded to the GCRB from 16 May 2016. GCRB reimburse Glasgow Kelvin College with a contribution to the costs of Robin Ashton's salary and associated national insurance and pension on-costs.
- The salaries in the above table represent the amount earned in the financial period.
- The value of pension benefits is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The x20 multiplier aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period which is the estimated life span following retirement.

Fair Pay Policy - Median Remuneration

GCRB are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce. The banded remuneration of the highest paid official in the organisation in the financial year 2016-17 was £80,000-85,000 (2015-16 - £85,000-100,000) on a pro-rata 12-month basis. This was 1.9 times (2015-16 - 2.5 times) the median remuneration of the workforce which was £40,000-£45,000 (2015-16 - £35,000-£40,000).

Staff Composition

The Executive Director is male and is seconded to GCRB. The Executive Assistant is female and is employed by GCRB on a permanent contract. A breakdown of the salaries and FTE has been included in Note 6 to the financial statements.

Staff Sickness

There has been no staff absence due to ill health in the financial year ending 31 July 2017.

Staff Policies

GCRB has chosen to align itself with Glasgow Clyde College in respect of the Staff Policies and Procedures. These policies ensure that GCRB complies with employment legislation and promotes a positive organisational culture, which encourages the development of its employees. GCRB considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that their employment with GCRB continues. The GCRB's policy is to provide training, career development and opportunities for promotion to disabled staff which are, as far as possible, identical to those for other employees.

Accrued Pension Benefits

Pension interests of senior management seconded to the GCRB during the reporting period are in accordance with the specific employment contracts in place with the respective partner organisations and not with GCRB (and therefore there is no liability on the GCRB balance sheet). The accrued pension benefits for senior officials are set out in the table below, together with the pension contributions made by the College.

Name	Accrued pension at pension age at 31 July 2017	Accrued lump sum at pension age at 31 July 2017	Real increase in pension 1 August 2016 to 31 July 2017	Real increase in lump sum 1 August 2016 to 31 July 2017	CETV at 31 July 2017	CETV at 31 July 2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Robin Ashton	15-20	45-50	5-7.5	7.5-10	308	233	75

Pension benefits for employees are provided through two schemes. Firstly the Local Government Pension Scheme (LGPS), which is provided by the Strathclyde Pension Fund and is available for administration staff. Secondly, through the Scottish Teacher's Superannuation Scheme (STSS) for teaching staff seconded to GCRB.

- The LGPS is a funded defined benefit scheme, which is contracted out of State Earnings. The pension benefits are based on salary earned and the number of years that the person has been a member of the scheme. The normal retirement age is 65 (or 60 for members of the pension scheme prior to 1 April 2008).
- The STSS is a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme. The pension benefits are based on the salary earned and the number of years that the person has been a member of the scheme. The normal retirement age is 65 (or 60 for members of the scheme prior to 1 April 2007).
- Contribution rates are set annually for all employees of these schemes.
- There is no automatic entitlement to a lump sum (except for membership of the LGPS prior to 1 April 2008 and membership of the STSS prior to 1 April 2007). For members who contributed to the schemes after these dates they may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Cash Equivalent Transfer Value (CETV)

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

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



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

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

Other

During the year, GCRB spent £51,000 on consultancy, this mainly consisted of specialist consultancy in respect of financial and board secretarial assistance. The appointment of a Finance Director was approved by GCRB in February 2017. Pending recruitment to this post, GCRB engaged the services of JM Godfrey Ltd to provide financial support to the Board. GCRB paid an amount of £37,635 (including VAT and expenses) for services provided between 20 March 2017 and 14 July 2017 (the contract dates). GCRB has completed the HMRC checklist and determined that the all contractors are self-employed for the purposes of IR35.

The Accountability Report has been approved by the Board and signed on its behalf by:

<p>Grahame Smith, GCRB Interim Chair</p> <p>Signature:</p>  <p>Date: 18 December 2017</p>	<p>Robin Ashton, GCRB Executive Director</p> <p>Signature:</p>  <p>Date: 18 December 2017</p>
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Independent Auditor's Report to the members of the Board of the Glasgow Colleges' Regional Board, the Auditor General for Scotland and the Scottish Parliament

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Glasgow Colleges' Regional Board for the year ended 31 July 2017 under the Further and Higher Education (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2017 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 2005 and directions made thereunder by the Scottish Funding Council.

Basis of opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board for the financial statements

As explained more fully in the Statement of the Board's Responsibilities, the Board 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 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 is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

The Board is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Board is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

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

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 2005 and directions made thereunder by the Scottish Funding Council.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 2005 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 2005 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

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

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

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

We have nothing to report in respect of these matters.



Gary Devlin, (for and on behalf of Scott-Moncrieff)

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh, EH3 8BL

[Full date] *20 December 2017*

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

Accounts Direction for the Regional Board for Glasgow Colleges 2016-17

It is the Scottish Funding Council's direction that the Regional Board for Glasgow Colleges, known as the Glasgow Colleges' Regional Board (GCRB), complies with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing its annual report and accounts for the year ending 31 July 2017.

GCRB is also required to comply with the Government Financial Reporting Manual 2016-17 (FReM) where applicable.

GCRB is also reminded that it must send two copies of its annual report and accounts to the Auditor General for Scotland by 31 December 2017.

The annual report and accounts should be signed by the Chief Officer and by the Chair, or one other member of the governing body.

GCRB should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
26 July 2017

GLASGOW COLLEGES' REGIONAL BOARD**STATEMENT OF COMPREHENSIVE INCOME****FOR THE 12 MONTHS ENDED 31 JULY 2017**

	Notes	12 months ended 31 July 2017 £	12 months ended 31 July 2016 £
Income			
Scottish Funding Council grants	5	308,240	270,020
Miscellaneous Income		9,688	-
Total income		317,928	270,020
Expenditure			
Staff costs	6	231,061	229,164
Other operating expenses	7	89,867	40,856
Interest and other finance costs	8	1,000	-
Total expenditure		321,928	270,020
Surplus on continuing operations before tax		-	-
Taxation		-	-
Surplus/(Loss) for the year		(4,000)	-
Actuarial losses in respect of the pension scheme	17	(9,000)	-
Total comprehensive Income for the Year		(13,000)	-
Prior year adjustment	18	-	(28,000)
Total loss recognised in the period		(13,000)	(28,000)

The statement of comprehensive income is in respect of continuing activities.

GLASGOW COLLEGES' REGIONAL BOARD

BALANCE SHEET

AS AT 31 JULY 2017

	Notes	As At 31 July 2017 £	As At 31 July 2016 £
Fixed assets			
Tangible assets		-	-
Total Fixed assets		-	-
Current assets			
Debtors	9	114,256	50,352
Cash at bank and in hand		-	-
Total Current assets		114,256	50,352
Creditors - amounts falling due within one year	10	(114,256)	(50,352)
Net current assets		-	-
Total assets less current liabilities		-	-
Pension Liability	17	(41,000)	(28,000)
Total Reserves		(41,000)	(28,000)
TOTAL		(41,000)	(28,000)

The financial statements on pages 33 to 47 were authorised for issue by the Board on 18th December 2017 and signed on its behalf by:



Grahame Smith
GCRB Interim Chair



Robin Ashton
GCRB Executive Director

GLASGOW COLLEGES' REGIONAL BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 JULY 2017

1 GENERAL INFORMATION

These financial statements are presented in pounds sterling (GBP) as that is the currency in which GCRB's transactions are denominated.

The principal place of business is 190 Cathedral Street, Glasgow.

2 STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with Financial Reporting Standard 102 'the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' issued by the Financial Reporting Council and the Companies Act 2006.

3 STATEMENT OF ACCOUNTING POLICIES

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

Basis of Preparation

These financial statements have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement Of Recommended Practice: Accounting for Further and Higher Education (2015). They conform to guidance published by the Scottish Funding Council.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Going Concern

The Glasgow Colleges' Regional Board (GCRB) is satisfied that it has adequate resources to continue in operation for the foreseeable future, for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

Recognition of Income

Recurrent grants from the Scottish Funding Council (SFC) are recognised in accordance with services/operations delivered. Therefore, income will equal expenditure on an accruals basis.

Taxation

The Board is not registered for Value Added Tax.

GLASGOW COLLEGES' REGIONAL BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED 31 JULY 2017

Financial Instruments

Financial instruments are recognised in the Balance sheet when the College becomes party to the contractual provisions of the instrument. All of the College's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS102. All of the College's financial instruments are measured at transaction price.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the College has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Provisions

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

Employee Benefits

Short-term employment benefits, such as salaries and compensated absences, are recognised as an expense in the year in which the employee renders service to the GCRB. Any unused benefits are accrued and measured as the additional amount that GCRB expects to pay as a result of the unused entitlement.

Pension Schemes

GCRB participates in two multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency. GCRB is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for its participation in the STSS as if it were a defined contribution scheme. As a result, contributions are charged to the Statement of Comprehensive Income as they arise. This is expected to result in the pension cost being a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit basis.

Administrative and support staff may join the Strathclyde Pension Fund, which is administered by Glasgow City Council and which requires contributions to be made to its number 1 fund. The Fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Fund are held separately from those of GCRB. Fund assets are measured using market values. For quoted securities the current bid price is taken as market value. Fund 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.

Pension Schemes (continued)

Contributions to the Fund are calculated so as to spread the cost of pensions over employees' working lives with GCRB. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the scheme in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Fund, after making allowances for future withdrawals. The expected cost of providing staff pensions to employees contributing to the Fund is recognised in the income and expenditure account on a systematic basis over the expected average remaining lives of members of the funds in accordance with FRS102 and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

Full provision is made in these financial statements for future pension contributions in respect of employees who have been permitted to take early retirement without any reduction in their pension.

4 CRITICAL JUDGEMENTS AND ESTIMATES

Pension and Other Employment Costs

The present value of the defined benefit pension, and other post-employment benefit obligations, depends on a number of assumptions. The assumptions used in determining net cost (income) for pension, and other post-employment benefits, include the discount rate. Any changes in these assumptions will have an effect on the carrying amount of pension and other post-employment benefits.

After taking appropriate professional advice, the Board determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, consideration is given to the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits are to be paid and that have terms to maturity approximating the terms of related pension liability.

Other key assumptions relevant to the defined benefit pension and other post-employment benefit obligations are based on current market conditions. Additional disclosures concerning these obligations are given in note 17.

GLASGOW COLLEGES' REGIONAL BOARD**NOTES TO THE FINANCIAL STATEMENTS**

	<i>12 months ended 31 July 2017</i>	<i>12 months ended 31 July 2016</i>
	£	£
5 SFC GRANTS		
Deducted from Member Colleges Grant in Aid	270,605	270,020
Expenditure paid by SFC	37,635	-
	308,240	270,020
6 STAFF COSTS		
Wages & Salaries	162,594	181,167
Non-recoverable VAT on secondment	25,480	-
Pension	21,289	30,429
Pension fund adjustment (Note 17)	3,000	-
National Insurance	18,698	17,568
	231,061	229,164
<p>The number of higher paid staff, including the Executive Director, who received emoluments including benefits in kind and excluding pension contributions in the following range:</p>		
	<i>Number of Higher Paid Staff</i>	<i>Number of Higher Paid Staff</i>
£80,000 to £85,000	1	-
£60,000 to £69,999	-	1
Staff Numbers:		
<p>The average number of persons (including senior post holders) employed by GCRB during the period (including the Chair), as expressed as a full-time equivalent, was:</p>		
	<i>Number</i>	<i>Number</i>
Senior Management	1	1
Administration	1	1
	2	2

GLASGOW COLLEGES' REGIONAL BOARD

NOTES TO THE FINANCIAL STATEMENTS

	<i>12 months ended 31 July 2017</i>	<i>12 months ended 31 July 2016</i>
	£	£

6 SENIOR POST- HOLDERS' EMOLUMENTS

Emoluments of the Executive Director:

Salary of Martin Fairbairn 1 August 15 to 31 March 16	-	64,328
Salary of Robin Ashton 16 May 16 to 31 July 16	-	17,036
Salary of Robin Ashton 1 August 16 to 31 July 17	81,250	-
Pension Contributions of Martin Fairbairn 1 August 15 to 31 March 16	-	15,760
Pension Contributions of Robin Ashton 16 May 16 to 31 July 16		2,930
Pension Contributions of Robin Ashton 1 August 16 to 31 July 17	13,973	-

The members of the Board of GCRB, other than the Chair, did not receive any payments from the institution other than travel and subsistence expenses incurred in the course of their duties.

Employer pension contributions are paid at the following rate:

Strathclyde Pension Fund 19.3%

STSS Pension Fund 17.2%

GLASGOW COLLEGES' REGIONAL BOARD**NOTES TO THE FINANCIAL STATEMENTS**

	<i>12 months ended 31 July 2017</i>	<i>12 months ended 31 July 2016</i>
	£	£
7 ANALYSIS OF EXPENDITURE		
Consultancy	51,335	-
Legal	14,133	3,284
External audit	12,000	17,500
Internal audit	6,353	6,636
Travel/accommodation	2,006	2,052
Hospitality	1,730	1,521
Insurance	915	-
Other expenses	710	1,319
Stationery	685	47
Recruitment	-	3,470
Personnel services	-	2,100
Computers	-	1,815
Subscriptions	-	1,112
	89,867	40,856
Other Operating Expenses include:		
Auditor's Remuneration (including irrecoverable VAT)		
- external audit	12,000	17,500
- internal audit	6,353	6,636
other services - external		
- auditors	2,100	-
other services - internal		
- auditors	-	-
8 INTEREST AND OTHER FINANCE COSTS		
Net pension financing cost	1,000	-

GLASGOW COLLEGES' REGIONAL BOARD**NOTES TO THE FINANCIAL STATEMENTS**

	<i>12 months ended 31 July 2017</i>	<i>12 months ended 31 July 2016</i>
	£	£
9 DEBTORS		
Funds held by SFC	37,635	50,352
Funds held by City of Glasgow College	65,692	-
Trade debtor – Owed by Colleges Scotland	9,388	-
Prepayments	1,541	-
	114,256	50,352
10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade Creditors	27,809	-
Owed to Glasgow Clyde College	38,754	-
Owed to Glasgow Kelvin College	25,480	-
Accruals		
Salaries	3,527	28,776
Pension	539	2,930
Audit fee	12,000	8,500
Other accruals	6,147	10,146
	114,256	50,352
11 FINANCIAL INSTRUMENTS		
Financial assets		
Financial assets measured at amortised cost	112,715	50,352
Financial liabilities		
Financial liabilities measured at amortised cost	113,289	50,352
Financial assets measured at amortised cost comprise trade debtors and accrued income.		
Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.		

GLASGOW COLLEGES' REGIONAL BOARD

NOTES TO THE FINANCIAL STATEMENTS

12 PROVISIONS

There are no provisions at the period end (31 July 2016: None).

13 CONTINGENT LIABILITIES

The Board has no contingent liabilities to disclose (31 July 2016: None).

14 CAPITAL COMMITMENTS

There are no capital commitments at the period end (31 July 2016: None).

15 POST BALANCE SHEET EVENTS

There have been no material post balance sheet events

16 RELATED PARTY TRANSACTIONS

SFC is regarded as a related party as are the assigned colleges; City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. During the year GCRB had various material transactions with these related parties. However, due to the volume of transactions it would not be practical to disclose them all.

All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with normal project and procurement procedures. GCRB had transactions during the year, or worked in partnership with the following publicly funded or representative bodies in which a member of GCRB has an interest:

Colleges Scotland Other Income £9,388 M Cook Board Member

17 PENSION COMMITMENTS

GCRB's employees belong to one of the two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF).

	12 months ended 31 July 2017 £000	12 months ended 31 July 2016 £000
GCRB Pension Costs		
SPF	7	11
Civil Servants and Others Pension Scheme	-	16
STSS	14	3
Pension Charge	3	-
Total Pension Costs	24	30

17 PENSION COMMITMENTS

Scottish Teachers' Superannuation Scheme (STSS)

The STSS is a multi-employer pension scheme and the Scottish Public Pensions Agency have indicated that at the moment they are not able to identify the net share of underlying assets and liabilities for each employer on a "consistent and reasonable basis". Therefore in accordance with FRS 102, contributions to the scheme are accounted for as if it were a defined contribution scheme.

The Scottish Teachers' Superannuation Scheme is an unfunded defined benefit scheme. Contributions on a pay-as-you-go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purpose of determining contribution rates.

The pension cost is assessed every four years in accordance with the advice of the government. The valuation as at 31 March 2016 was not yet complete at the balance sheet date.

Valuation date	31 March 2012
Valuation method	Project Unit
Value of notional assets	£19,600 million
Rate of Return (Discount rate)	5.1%
Salary scale increases per annum	CPI inflation plus 2.75%
Pension increases per annum	2.0%

A valuation of the STSS scheme was carried out as at 31st March 2012. Employer contribution rates are reviewed every four years following a scheme valuation from the Government actuary, with further changes made as a result of interim reviews. The employer's contribution rate was 17.2% of pensionable pay from 1 September 2015 (previously 14.9%).

For the period 1 August 2016 to 31 July 2017, the employee contribution rate was 7.2% to 11.9% dependent on salary.

The pension costs are assessed in accordance with the advice of independent qualified actuaries.

Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund (SPF) is a funded defined benefit scheme and has its assets held in separate trustee administered funds.

The pension cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Valuation date	31-Mar-14
Valuation method	Projected Unit
Market value of assets	£13,949 million
Actuarial assumptions	
- pre-retirement discount rate	5.1%
- post retirement discount rate	4.7%
- salary increase rate	4.5%
- pension increase rate	2.7%

For the purposes of FRS 102 an actuarial valuation was calculated by the actuary as at 31 July 2017.

The major assumptions used by the actuary and agreed by GCRB were:

Financial Assumptions	31-Jul-17	31-Jul-16
Pension Increase Rate	2.4%	1.9%
Salary Increase Rate	4.4%	3.9%
Expected Return on Assets	3.6%	3.6%
Discount Rate	2.7%	2.4%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	Male	Female
Current Pensioners	22.1	23.6
Future Pensioners	24.8	26.2

NOTES TO THE FINANCIAL STATEMENTS

17 PENSION COMMITMENTS

Strathclyde Pension Fund (SPF)

The assets in the scheme at the last actuarial review date were:

	Value at 31-Jul-17	Value at 31-Jul-16
	£000	£000
Equities	68	56
Bonds	13	12
Property	11	8
Cash	4	-
Total	<u>96</u>	<u>76</u>

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum 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 following amounts represent GCRB's share of the scheme at 31 July 2017 and were measured in accordance with the requirements of FRS 102:

	31-Jul-17	31-Jul-16
	£000	£000
Fair value of employer assets	96	76
Present value of defined benefit obligations (liabilities)	<u>(137)</u>	<u>(104)</u>
Net (under) funding in Funded Plans	<u>(41)</u>	<u>(28)</u>
Net pension (liability)	<u>(41)</u>	<u>(28)</u>

Amount charged to Staff Costs (Note 6)

Current service cost	10	3
Curtailments and settlements	0	0
Less: contributions paid	<u>(7)</u>	<u>3</u>
	<u>3</u>	<u>-</u>

Amount charged to Interest and Other Finance Costs (Note 8)

Interest income on pension assets	2	2
Interest cost on defined benefit obligation	<u>(3)</u>	<u>2</u>
	<u>(1)</u>	<u>-</u>
Net revenue account cost	<u>4</u>	<u>-</u>

GLASGOW COLLEGES' REGIONAL BOARD

NOTES TO THE FINANCIAL STATEMENTS

17 PENSION COMMITMENTS

Strathclyde Pension Fund (SPF)

	2017	2016
	£000	£000
Movement in (deficit) during the year		
(Deficit) in scheme at beginning of the year	(28)	0
Movement in year:		
Total Service cost	(10)	(3)
Total net interest	(1)	0
Employer Contributions	7	3
Re-measurements	(9)	(28)
	<hr/>	<hr/>
(Deficit) in scheme at end of the year	(41)	(28)
Reconciliation of defined benefit obligations (liabilities)		
Opening defined benefit obligation (liabilities)	104	73
Current service cost	10	3
Interest cost	3	2
Contributions by members	2	1
Re-measurements	18	25
Benefits paid	(0)	(0)
	<hr/>	<hr/>
	137	104

17 PENSION COMMITMENTS

Strathclyde Pension Fund (SPF)

Reconciliation of fair value of employer assets	2017	2016
	£000	£000
Opening fair value of employer assets	76	62
Interest on plan assets	2	2
Contributions by members	2	1
Contributions by employer	7	3
Return on assets	9	8
Benefits paid	0	0
	96	76

The contribution rates are set by the scheme actuaries.

	Employer contribution rates	Employee contribution rates (based on employee pensionable pay)
1st August 2015 to 31st July 2016	19.3%	5.5%-12%
1st August 2016 to 31st July 2017	19.3%	5.5%-12%

The actuary of the SPF scheme has set higher employer contribution rates to recover the scheme net liability. The fund has sufficient assets to cover all of the benefits that had accrued to members after allowing for future increases in earnings.

The estimated employer contribution for the period to 31 July 2018 is £7,000.

18 PRIOR YEAR ADJUSTMENT

GCRB became an admitted body of the Strathclyde Pension Fund in November 2017. At this time, GCRB obtained an actuarial valuation of the assets and liabilities of the fund as disclosed in Note 17 above. Based upon the actuarial report, there is a liability that extends to the previous financial year that was not disclosed in the financial statements at 31 July 2016. Therefore, the net liability on the fund (£28,000 at the 31 July 2016), has been recognised as a Prior Year Adjustment in the Statement of Comprehensive Income at the 31 July 2017.

