



**South
Lanarkshire
College**

East Kilbride

**South Lanarkshire College
College Way
East Kilbride
Glasgow G75 0NE**

**Report and Financial Statements
for the year ended 31st July 2022**

**The Board of Management of South Lanarkshire College
Scottish Charity number SC 021181**

Contents

	Page
Welcome	
Statement from the Chairing Member of the Board of Management	3
Statement from the Acting Principal	4
Performance Report	
Overview and Operating Context	5
Performance Analysis	5
Financial Performance	13
Accountability Report	
Corporate Governance Report	17
Directors Report	17
Statement of Board of Management's Responsibilities	18
Governance Statement	19
Remuneration and Staff Report	28
Independent Auditor's Report	34
Financial Statements	
Statement of Principal Accounting Policies	37
Statement of Comprehensive Income and Expenditure	41
Statement of Changes in Reserves	42
Balance Sheet	43
Statement of Cash Flows	44
Notes to the Financial Statements	45

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Welcome

The Board of Management of South Lanarkshire College present their twenty ninth Report and Financial Statements.

Statement from the Chairing Member of the Board of Management

Despite the challenges of the pandemic the College maintained its reputation for delivering a high-quality learning experience for its students. The Board continued to be impressed by how all staff adapted to the new demands of online learning and to providing support for students during this unprecedented period. The return to campus for some learners and staff during the summer term was welcomed by Board members as was the opportunity to return to face-to-face meetings.

The academic year 2021/22 saw a number of new members join the Board and already their expertise and skills have contributed to the work of the College. The Board has overseen the implementation of a Governance Improvement Plan which has sought to further strengthen its corporate governance arrangements while providing appropriate strategic direction for the College.

Investigations into governance matters commenced in January 2022 and concluded in January 2023. At a Board meeting held on 16 January 2023, the Principal, who had been suspended for the duration of the investigation, was dismissed on the grounds of gross misconduct. The Clerk to the Board had also been suspended during that period and he, also, dismissed on the grounds of gross misconduct following the Board meeting on 16 January 2023. The tenure of the Chair, who had stepped back from his duties for the duration of the investigation, had ended in May 2022 and he did not seek reappointment. The Board followed independent legal advice both in the conduct of the investigation and of the 16 January 2023 meeting.

In particularly challenging times, the College has returned a modest Adjusted Operating Surplus however the Board is aware that the Scottish Government's spending plans for the coming five years are likely to result in challenging financial times for the Sector. Accordingly, the Board has required the College management to develop a plan to address the proposed decline in resources while maintaining the quality of the learner experience.

The College focus on equality and inclusion continued during the pandemic with action taken to address digital poverty while expanding mental health support. These and other actions have ensured the College has maintained its sector leading reputation in this key area of its work.

During the course of the year, our partnership working with New College Lanarkshire has developed in a number of areas including curriculum and regional planning. Within the framework of The Lanarkshire Board (Regional Strategic Body) the College has worked in partnership to meet the needs of the region and beyond. Partnership working with South Lanarkshire Council has continued to develop, building on the success of the Foundation Apprenticeship and senior phase programmes.

I would like to thank all of our Board Members and thank, on their behalf, our staff and our many partners, all of whom have contributed to our continuing success as we strive towards our objective of being Scotland's leading provider of education and training.

Paul Hutchinson BA (Hons)
Chairing Member of the Board of Management

Welcome

Statement from the Acting Principal and Chief Executive

As Acting Principal and Chief Executive of South Lanarkshire College, I am pleased that the College has remained focussed on student success, operational delivery and institutional sustainability during 2021/22, despite the continuing impact of the global pandemic on learning, teaching and working. The return to campus-based learning in the summer term was welcomed by both students and colleagues. This return to in person learning was of great assistance as we planned for academic year 2022/23.

The College remains in a relatively sound financial position, generating a modest Adjusted Operating Surplus for 2021/22 however the reduction in Scottish Government funding forecast for the College Sector over the coming five years will require the Board to consider a range of innovative approaches as it seeks to maintain financial sustainability. A Value for Money Group has been established to undertake a comprehensive review of how the College operates in order to obtain best value for the public purse.

The small surplus in the management accounts for this financial year was as a result of a concerted efforts by colleagues to deliver the credit target for the year while also identifying more efficient ways of working and by close and prudent stewardship of the College's finances.

A number of new and revised procedures were introduced during the academic year to enhance further the College approach to control, assurance and risk management arrangements. Further work was undertaken to develop the approach to alternative income generation while recognising that this is a particularly turbulent economic period. In challenging times, a strong focus on finance, risk and sustainability is essential and revised approaches have been put in place to ensure that Board has access to robust management information.

During the year, the College responded pro-actively to recommendations to improve further control measures and corporate governance. As a result, the Board has put in place a number of revised policies and procedures which will strengthen these aspects of the work of the College. The appointment of new Internal Auditors has supported the College in its work of strengthening still further its control procedures and in providing the Board with the reassurance it requires.

In academic year 2021/22 the College invested £1.240 million improving its estate, equipment for students and staff. This investment will ensure that our estate remains of a high quality and that learners will have access to industry standard equipment.

We continue to deliver well for our students, employers, stakeholders and the communities which we serve and as the country moves into the post-pandemic phase, we will redouble our efforts to support the growth of the Lanarkshire economy.

Alan Sherry, OBE, FRSA
Acting Principal and Chief Executive

Performance Report

Overview and Operating Context

As an overview to the Performance Report, the College would highlight several pertinent points to give context.

The Scottish college sector faces significant uncertainty in the immediate and near future particularly as a result of the impact of the current pandemic. Even without this, there was overall financial restraint in the public sector with the challenge of delivering annual efficiency savings of 3% and an acknowledged degree of uncertainty over future funding streams. South Lanarkshire College has been successful in increasing its core activity allocation in line with growing demand, as per the table on page 9, with the exception of 2020/21 when the credit allocation was reduced from 49,957 to 49,201, a reduction of 1.5% compared to the sector average reduction of 0.5%. However, in the current year the credit allocation once again increased to 50,435, a 2.5% increase on the prior year. The credit allocation for the College in 2022/23 is 48,812, a decrease of 3%; the equivalent decrease for the sector is 4%.

In accordance with Scottish Government policy, the College has expanded its Childcare provision and now offers 7 HNC classes in Childhood Practice. It has also expanded its STEM provision with a particular focus on encouraging women into Science, where 67% of enrolments are female, and men into Childcare. It is on target to have 30% of courses having no more than a 75:25 gender split by 2022/23.

South Lanarkshire College continues to develop its relationship with the Lanarkshire Regional Strategic Body (LRSB), delivering outcomes for students that contribute positively to the combined Regional average, operates at a lower cost per credit than its partner college and supports the development of collaborative approaches. It also seeks to partner with other relevant education institutions to progress mutually relevant ambitions, such as around sustainable construction and improved articulation/progression to further study.

The careful and prudent management of control, assurance and risk remains an important factor in managing College business. There has been a significant focus on continuous improvement over the year, and this will continue going forward. South Lanarkshire College has a well-established approach to its Strategic Risk Register which is reviewed routinely by managers and by the Board of Management and its committees. This approach has been developed during the year. The Board has now approved a revised approach to control and assurance arrangements within the College, which will be supported by the updates to risk management, and which is in part a response to advice from our Internal Auditors on control improvements. This is based on the HM Treasury Assurance Framework model. This robust focus on effective business operations, including risk and assurance, will support the College to continue to work towards its vision of being Scotland's leading college.

Performance analysis

Strategic Plan Overview

The College published its Strategic Framework entitled "*Delivering Excellence*" in August 2019 (<https://www.south-lanarkshire-college.ac.uk/about-us/overview/strategic-plan/>) for the period to July 2025. The development of this Framework began in June 2018 with a Board of Management planning day, followed by student, staff and other stakeholder consultation through November 2018 and into Spring 2019. In March 2022, the Board revised its strategic priorities to take account of the COVID pandemic. The Strategic Framework sets out clearly the Board Vision, Mission, Values and Culture and will provide a reference point for the development and delivery of future operational plans, policies, strategies and other corporate documents. It is shaping how the College delivers education, skills and training to support regional social and economic development and outlines how we will support Scottish Government policy delivery through the Scottish Funding Council Regional Outcome Agreement process.

The Strategic Framework is constructed around three strategic priorities with the College's annual operational planning documents linking directly to these strategic priorities. The twin purpose of organising plans around a formal framework is to help to deliver specific outcomes for learners as well as broad outcomes as an organisation. The three strategic priorities are:

1. Successful students
2. Highest quality education and support
3. Sustainable behaviours

Performance Report

Performance Analysis (continued)

During the life of the new Strategic Framework, South Lanarkshire College aims to build on its current successes:

- The College remains one of Scotland's top performing colleges in relation to student success in 2021/22 and while the pandemic has clearly impacted this at South Lanarkshire, as well as across the sector, our students have continued to achieve well;
- Sound financial controls, and new approaches to improvement, leading to continuing financial stability;
- A series of both curriculum and business support awards for innovation, inclusivity and diversity;
- Continues to meet key targets for carbon management;
- Secure re-accreditation as a Disability Confident Employer.
- Participation in Education Scotland's National Overview of Practice: Remote Learning in Colleges in April 2021;
- Positive and satisfactory report received from His Majesty's Inspectorate of Education (HMIE) Progress Visit in February 2021.
- One of only two colleges selected to participate in the Emily Test Pilot Gender Based Violence Charter for Colleges and Universities in April 2021. In August 2021, the College was delighted to win the S1 Jobs Award for Best Diversity and Inclusion Initiative.

Purposes and Activities of the College

Vision To be Scotland's leading college: delivering excellence.

Mission Preparing learners well for their future in an outstanding learning environment and inclusive community.

We are:

- Inclusive and diverse
- Passionate about our roles and responsibilities
- Continually improving
- High achieving
- Reducing our environmental impact
- Delivering community and social value
- Committed to health, safety and wellbeing
- Creative and innovative
- A listening organisation

Our Strategic Framework will support us in continuing to be a high-performing organisation that contributes actively to meeting Scottish Government objectives as set out in their National Performance Framework.

Commercial Income and Strategic Growth

South Lanarkshire College acknowledges the operational risks associated with certain areas of its funding and continues to concentrate efforts and resources on developing non-core business to diversify and spread the risk. Through its Academic Board, the College reviews and updates annually its portfolio of provision with a view to ensuring students are well prepared for the job market and that the College provides benefits to the economy in the local and wider area. This will be an area of particular focus in the coming year.

The College has exceeded its Core and ESF activity level target for each of the last ten years, although 2021/22 shows a very slight shortfall to meet the overall credit target, i.e. including the allocation for Deferred activity and Foundation Apprenticeships, (454 credits short of the target of 50,435 which is circa 0.9%). It has done so over a period of several years of consistent growth, demonstrating the potential unmet demand that exists in the immediate catchment area and beyond. This meeting of demand and sound financial control has also resulted in surpluses being recorded in all but one year throughout that period.

Performance Report

Performance Analysis (continued)

Regional Development

South Lanarkshire College is recognised as a high-performing college by its students. This is evidenced by student surveys, HMIE reports and by it being awarded the Leaders in Diversity award for the fourth time. It contributes positively and significantly to the Outcomes for the Lanarkshire Region as a whole by meeting targets for student attainment and outcomes.

The Financial Memorandum between the LRSB and South Lanarkshire College was finalised in January 2016. In June 2019, the Memorandum of Understanding was jointly published that sets out clearly the relationship between the two colleges. The two colleges in the Lanarkshire area work together across multiple areas and deliver outcomes that are combined together in relation to funding from SFC. These outcomes are monitored through the Regional Outcome Agreement.

The SFC initiated a review of tertiary education and research in 2020. The first phase of the review report, [Coherence and Sustainability: A review of Tertiary Education and Research](#), was published in October 2020 and recommended the dissolution of the LRSB and that both colleges manage themselves as separate regional entities. This recommendation was accepted by Scottish Ministers and was subsequently endorsed by the Boards of both colleges in November 2020. There has been slower than anticipated progress taking forward the SFC recommendation for dissolution of the LRSB and this was highlighted by the Auditor General for Scotland in July 2022. It should be noted, however, that even after dissolution, the two colleges will continue to work together to ensure that there is effective and efficient further education provision which meets the needs of Lanarkshire and the Glasgow and Clyde Valley City Deal.

Key Issues and Risks

The key headings addressed by the Board's risk register include:

- The College cannot maintain financial stability;
- There is a failure of financial controls;
- There is a failure to meet credit target and/or failure to retain major public and private contracts;
- There is a breach of legislation and associated regulations;
- There are insufficient funds for capital project and maintenance requirements;
- There is a failure to meet statutory and legislative health and safety and safeguarding requirements;
- There is business interruption due to major disaster, IT failure etc.;
- There is a theft of, or damage to, Management Information Systems (including cybercrime);
- There is a failure to achieve acceptably high standards of learning and teaching;
- There is a failure to provide and engaging and effective employee journey;
- That there is a failure to provide an engaging and effective employee journey.
- There is a failure to provide appropriate support to students via our Student Services function;
- There is a failure of Corporate Governance arrangements;
- The College does not comply with the requirements of the Code of Good Governance for Scotland's Colleges re the financial year 2021/22.

South Lanarkshire College has a Risk Management Group comprising all members of the Senior Leadership Team, as well as Heads of Facilities and Management Information Systems (MIS). The Group has a programme of review which covers all pertinent areas of College activity, including exposure re major income sources, employment legislation, IT support, disaster recovery and business continuity. It has utilised the expertise of external advisors such as its insurers and, increasingly, professional experts in the areas of business continuity planning and cyber resilience.

Performance Report

Performance Analysis (continued)

The COVID-19 pandemic had a significant impact on the College, and this was reflected in the Risk Register, with the risk descriptors and scoring taking on a new, more critical dimension. The effects of the pandemic increased the exposure of the College, particularly in terms of its financial sustainability and the health, safety and wellbeing of its staff and students. This has resulted in a new approach to risk management, with the embedding of risk throughout the College, with operational risk registers now being held at departmental level and feeding into a strategic corporate risk register. The cost-of-living crisis has added another significant dimension, and this is reflected in the risk register and the financial forecasting models being considered by the Board.

This improved approach to risk management complements other work in train within the College to support effective operations, including the ongoing refresh of all policies and procedures across the College in a prioritised way; and seeking to introduce an improved approach to assurance, taking forward advice from the internal auditors and the Audit & Risk Committee. In relation to data security, the College was pleased to have been re-certified with the Cyber Essentials Plus certification of assurance in September 2021. In relation to health and safety, the College has instituted a risk assessment matrix, which is reviewed on a weekly basis by the Head of Facilities and the Depute Principal.

Following a whistleblowing claim made by a member of staff in 2021, the College initiated a third-party investigation utilising the forensic section of its internal audit service provider. Whilst the claims themselves could not be substantiated, the investigation made a number of recommendations for internal control and process improvements and the College has accepted all of them. The Action Plan flowing from the investigation was approved at the Board meeting of 4th November 2021. The follow-up of the recommendations was considered at each meeting of the Audit and Risk Committee; At the September meeting of the Audit & Risk Committee, it was noted that 75% of the points had been cleared, with the remainder relating to wider areas not specific to the investigation. It was agreed to subsume these within the existing rolling review of audit recommendations which is also monitored at each meeting of the Committee.

A revised approach to revise and enhance further control, assurance and risk management arrangements was approved by the Board in November 2021, based on the HM Treasury three lines of defence model, was subject to quarterly reporting to the Audit & Risk Committee. The College will continue to identify areas for improvement relating to all areas of its controls, processes and procedures. This will remain a work in progress and interventions introduced as required.

The College Risk Register is presented to all four meetings of the Audit & Risk Committee and to the Board of Management. It is also presented to meetings of the Regional Strategic Board and its Audit & Risk Committee. The Head of Finance attends the meetings of the Regional Risk Management Group and reports on the SLC Risk Register and subsequently reports to the SLC Audit and Risk Committee on Regional risk matters.

The major risk facing the College remains the sustainability of core funding, with the Scottish Funding Council asking the sector to assume a flat cash grant in aid settlement in its financial projections for the years 2023/24 to 2026/27. The sector has been in conversation with SFC on the implications that a flat cash settlement will have, particularly in times when inflation is predicted to rise to double figures. With utilities and salary awards being outwith the control of the College, the gravity of the situation is compounded.

The College is also very aware of the increasing threats to the integrity of its IT systems and a significant investment of both time and financial resource is made in safeguarding these, running in tandem with the further development of its business continuity planning arrangements.

The College has benefitted from receipt of European Social Funding for many years. Until 2017/18, this funding came through the Youth Employment Initiative (YEI). In 2021/22 the funding came through the Developing Scotland's Workforce programme, ring fenced for programmes at Higher National level. For South Lanarkshire College this amounted to 3,140 credits which represented 6.2% of the College's activity. The College secured £906k of funding under this programme and delivered the full activity level. It should be noted that this activity was not accompanied by an allocation for student support.

The decision to leave the European Union has affected the source of this funding and there is no EU activity target for session 2022/23. It has also affected funding in other areas such as; income from the ERASMUS programme which funds development of staff and students; the opportunity to apply for European Regional Development Fund (ERDF) grants; and core funding currently received for EU students who may no longer come to the UK to study. The effects of the withdrawal of EU funding will also impact third party providers of learning and training such as the local authorities, the

Performance Report

Performance Analysis (continued)

Construction Industry Training Board (CITB) and Skills Development Scotland, all of whom receive EU support to fund activity that they work with the college sector to deliver. Whilst the College can identify the direct EU funding that it receives and assess the financial risk of its diminution or withdrawal, the actual impact on indirect funding is not so easy to determine and the College is aware that it must look to develop a financial strategy that takes account of the likely decrease in non-core funding; as noted earlier, SFC have already indicated that the sector should be planning for flat cash settlement until 2026/27 which only compounds the problem. The sector is working with the Scottish Government and the Scottish Funding Council to mitigate the effects of this significant decrease in central funding.

Funded Activity Targets

The College's allocation of student activity in Credits from 2015/16 onwards was as follows:

Credits	Original Grant in Aid allocation	ESF / SFC project allocation	In-year additional allocation	Core plus ESF allocation	Foundation Apprentices & Deferred activity allocation	Total Activity Target	Audited Activity (*)
2015/16	38,478	5,906	2,500	46,884		46,884	46,885
2016/17	40,978	5,906	0	46,884		46,884	47,355
2017/18	42,088	5,906	627	48,621		48,621	49,037
2018/19	42,947	5,906	900	49,753		49,753	50,313
2019/20	43,816	5,808	333	49,957		49,957	50,477
2020/21	43,816	5,385	0	49,201		49,201	49,492
2021/22	46,029	3,140	0	49,169	1,266 (#)	50,435	49,981

Over a period of continued growth and curriculum change and development, the College has exceeded its core and ESF credit targets for the past ten years and delivered high attainment rates for students. The College is consistently amongst the best performing colleges in the sector as identified by the KPIs produced by SFC.

(*) Audited activity as certified by our Internal Auditors.

(#) The College was also initially allocated 269 YPG/ NTTF credits but declined this.

Estates

The College's Estates Strategy is intended to complement the overall strategic and operational plans. A synopsis of the current Strategy would be:

Acknowledging that the aesthetics of a teaching environment can have a positive impact on learning outcomes and that a comfortable environment enhances the overall learning experience, the main objectives of the College's Estates Strategy are to:

- maintain the existing high-quality environment both in functionality and look;
- consider priorities in providing and obtaining best value in relation to the estate and all its activities, providing a safe and secure environment;
- comply with changing legislation and ensuring that sufficient management processes are in place;
- ensure a financially sound and sustainable environment aimed at providing an ever-improving service to our stakeholders;
- acknowledge the importance of environmental issues in the way we enhance the College estate.

The College commissioned a full professional review from its quantity surveyors of the condition of its estates in the summer of 2022 with a view to refreshing its Estates Strategy. The College is currently awaiting the resultant report which will allow us to plan accordingly.

Performance Report

Performance Analysis (continued)

Measuring Performance

The College monitors a range of Key Performance Indicators (KPIs) to measure its outcomes and impact and presents these to its Board. The unconfirmed KPIs for 2021/22 are summarised below. A more detailed analysis of these indicators will take place later in the year following publication of confirmed Scottish Funding Council (SFC) data for all colleges.

• **Operating a Break-even Budget**

Per the Adjusted Operating Position, the College once again delivered on its break-even budget in 2021/22. The College produces monthly cash flow forecasts both for submission to the Scottish Funding Council and for internal review. Management place great emphasis on these cash flow forecasts to ensure that the College has sufficient funds. The College has also invested in its reporting to management, increasing its emphasis on working to budget.

• **Maintaining High Attainment Rates for Students**

Mode	Overall Enrolments	No. Completed Successful	%	Completed Partial Success	%	Further Withdrawal	%	Early Withdrawal	%
FE FT	1,424	722	58.3	255	20.6	153	12.3	107	8.6
FE PT	2,894	1,964	74	270	10.2	118	4.4	86	3.2
HE FT	1,001	620	68	92	10	141	15.5	56	6.2
HE PT	355	204	72	28	9.9	11	3.9	9	3.2
Overall	5,674	3,510	69	645	12.7	423	8	258	5

The above table shows the unconfirmed 2021/22 attainment rates for South Lanarkshire College. The College has always reported consistently excellent rates, and despite, the obvious impact of COVID-19, the College has maintained its overall high levels, with attainment standing at 69%. Overall attainment in 2021/22 dipped by 5% in comparison to the previous academic year and was impacted by both HE and FE FT retention rates and more students partially completing their qualifications. Further education full time (FE FT) students, who make up a quarter of the College's enrolments, have been impacted the most by COVID-19 as those students tend to come from the most vulnerable and high-risk groups. FE FT attainment rates for 2020/21 were 60.7%, so the College only dipped slightly in 2021/22 in comparison. The decrease in FE FT attainment rates is reflected across the sector nationally.

Further education part time (FE PT) students make up just over half of the College overall cohort and, even with the pandemic, attainment was 74% which is only just below the national rates of 20-21. There was excellent overall attainment across curriculum areas such as Building Service Engineering 89% (522 enrolments), Business Management and Media 78% (659 enrolments) and Early Education and Childcare 74.5% (520 enrolments).

• **Ensuring that Students Progress to Sustainable and Successful Positive Destinations**

The SFC recognised that COVID-19 had a direct impact on potential qualifiers who form the cohort of the College Leaver Destinations (CLD). There were approximately 1,350 students deferred into 2020/21, which meant that they were too late to be included in the normal CLD survey. The SFC is not publishing college individual destination data publicly due to the exceptional circumstances of the pandemic. The College is pleased to report that, despite the challenges presented, the destinations from 2019/20 (the latest information available) showed that 86.4% of leavers in SLC confirmed their destinations in follow-up surveys. Of those who confirmed, 93.1% from SLC were in positive destinations. More information on college sector destinations can be found [here](#).¹ Please note that destination data for 2020/21 has not yet been published by the SFC.

¹ <https://www.sfc.ac.uk/publications-statistics/statistical-publications/2021/SFCST072021.aspx>

Performance Report

Performance Analysis (continued)

- ***Delivering a high-quality student experience***

His Majesty's Inspectorate of Education Progress Visit report (February 2021) demonstrated that progress was satisfactory in the College and due to its low-risk status would only be subject to a one-day annual engagement visit in the academic year 2022/23. The report highlighted areas of good practice which include:

- College senior leaders have a clear and shared vision which is reflected in the Board's strategic plan for excellence in delivery.
- Most learners who enrol on a college programme are successful and attain a certificated award.
- Most learners completing their programme move on to a positive destination such as another college programme, higher education or employment.
- Attainment rates for all modes of learning have been above the national sector performance level for the past three years.
- The attainment rate for learners with a disability is five percentage points above the national sector performance level of 68%.
- Teaching staff are flexible and have adjusted teaching approaches to take account of the impact of COVID-19. The College has remained partially open to learners and staff throughout the pandemic to provide a safe space for learning and essential access to resources. Innovative changes to delivery approaches include evening sessions, recorded lessons and virtual work placements.
- All learners are very positive about their College experience and value the support they receive from staff to achieve their aspirations. The approach that "*no learner gets left behind*" is effective in building confidence with learner groups.

- ***Providing Value for Money as a Public Body***

Data published by the Scottish Funding Council shows that the average SFC funded in-year price per credit for South Lanarkshire College in 2021/22 was £276.48. It also shows the average funding for credit delivery across the Lanarkshire Region by the SFC was £281.47. South Lanarkshire College was therefore funded at a rate of £4.99 per credit lower than the Regional average. If the College had been funded at the Regional average, it would have equated to a further £252k of SFC funding. The College therefore contributes significantly towards operating efficiency in a Regional context. Furthermore, the outcomes delivered for its students are all well above the Scottish norm. These include high student attainment rates, high rates of progression to positive destinations and very high success rates for learners from the most disadvantaged backgrounds. In addition, the College met its core credit target. The high levels of outputs, combined with the low price per credit, means that the College delivers excellent value for money as a public body.

The College has also set up a Value for Money Group, chaired by the Principal, and this Group will have as its focus monitoring spend and taking advantage of sources of funding which the College has not been active in pursuing previously.

- ***Operating with a reduced carbon footprint and energy levels compared to our base year***

The Scottish Government aims to reduce carbon emissions by setting annual targets. In 2007/08 the College set itself a target to reduce its carbon footprint by 15% over a 10-year period. This target was exceeded by a large margin in 2009, only a year later. The College has an active strategy to promote sustainable behaviours in order to contribute positively to the Scottish Government's 2020 and 2050 targets on carbon reduction. The College low-energy, low-carbon building is performing better than initial modelling suggested over the past six years of operation. The College recently pledged to meet the Race to Zero climate change challenge and undertook a full programme of events to support COP26, which took place in Glasgow in November 2021. The College also participated in the launch of the Scottish Colleges' Statement of Commitment on the Climate Emergency and is using the action road map to benchmark its own actions.

Performance Report

Performance Analysis (continued)

- **Scottish Government Sustainability Reporting and other environmental impacts**

The College Sustainability Group has within its remit the requirements to draw together the mandatory “Public Sector Climate Change Report” for the Scottish Govt. due by 30 November 2022. In the baseline year of 2008/09, the College’s carbon footprint was 1,973 teCO₂; for the year 2020/21, the College carbon footprint was 753.7 teCO₂. This is in keeping with the College’s slight reduction in headcount as well as the impact of COVID-19.

The Sustainability Group has a remit to oversee various projects that promote sustainable behaviours such as the re-usable cups project, the initiative to power down PCs when not in use, the change from plastic to paper drinking straws and the liaison with the catering suppliers working with Zero-Waste Scotland to reduce waste streams and also reduce the amount of food container waste where practicable. Furthermore, the College strives to promote sustainable behaviour to all students and staff and the annual “Green Day” which has helped to provide a focal point in the year for activities. The College array of 380 solar panels, ground and air source heat pumps and arrangements for rainwater harvesting on its buildings continue to provide environmental benefit as well as contributing towards financial efficiency.

Annually, in partnership with the Student Association, there is a Mental Health Awareness week, a Health & Wellbeing event and a “Green Day”. Other charitable activities take place in-year, including Easter, Halloween and Christmas raffles and there are frequent donations to local food banks.

The College maintains a strong focus on developing students as responsible citizens as well as developing their vocational skills. Throughout the building, there is signage that encourages all users to show respect for each other.

The College has a strong ethos on promoting equality and diversity as outlined in its Strategic Framework and was the first college in Scotland to achieve Investors in Diversity as well as “Leader in Diversity” accreditation. At the start of the new academic year, our Human Resources team won the award for Best Diversity and Inclusion Initiative at the S1 Jobs Recruitment Awards for their creative embedding of inclusivity and diversity practices in our recruitment approaches. In 2021/22, the College was short-listed in the Global Lead 5050 awards for its work in promoting gender equality in management roles.

The College retains its strong focus on providing support for those students experiencing the greatest barriers to learning, with evidence of the effectiveness displayed through the high attainment rates achieved by these learner groups.

An extension to the social space provided in the College atrium has enabled learners to have a larger high-quality area to meet outwith timetabled time. This has also provided the College with greater flexibility to create additional classroom space during the COVID-19 pandemic. The forest mural on the library wall has been well received by students in relation to it improving the quality of the study space. All social spaces were not available for seating during the pandemic, but this was expanded in the Summer term as restrictions eased.

The College works with its refectory providers to actively promote healthy eating; there is also an arrangement in place for unsold food to be sold at a much-discounted price rather than being disposed of. For session 2022/23, the College will be providing free, healthy breakfasts for students.

The College respective pension schemes for lecturing and support staff incorporate life assurance cover amounting to twice the staff member’s salary. The College has purchased additional cover which increases this to three times salary cover for those who are members of the pension scheme. Those outwith the pension scheme are covered for one time their annual salary.

The College has an established wellbeing strategy with many initiatives designed to enhance the physical and mental health of staff. These include a walking and running club, circuit training and access to turbo trainers; a slimming club; mindfulness and yoga classes for staff and students; self-referral to confidential employee counselling; discounted rates for spectacles required for VDU work; gym membership and a visiting chiropody service; “plus” aerobic / dance classes and a staff choir. During 2021/22, as part of the College’s commitment to the mental health and well-being of staff and students, yoga classes have also been continued. The College has staff discount arrangements with several local businesses and gyms.

The College retains its strong focus on providing support for those students experiencing the greatest barriers to learning, with evidence of the effectiveness displayed through the high attainment rates achieved by these learner groups.

Performance Report

Financial Performance - Financial Objectives

With the overriding aim of maintaining long term financial stability, the Board's Financial Planning Framework for the period 2020/21 to 2022/23 was updated in June 2020 as part of the review of its financial sustainability arrangements. However, the current financial climate and, in particular, the very real problems which inflation and the anticipated SFC financial allocations until 2026/27 has the Board making financial sustainability an even more key area of focus.

- To achieve long-term financial sustainability and match resources with College strategic objectives on an ongoing basis;
- To manage short-term working capital by building up month end reserves to allow consideration of a transfer to the College Foundation;
- To develop productive capacity to meet current and future learning and resource objectives through the economic, efficient and effective deployment of resources;
- To plan and control the financing of College developments and ensure finance is available to fund capital expenditure per the College's strategic plans;
- Additional capital funding to be pursued via external grant sources;
- To provide a consistent basis for evaluating strategic alternatives and developing effective financial planning and risk management;
- To be pro-active in the improvement of cash inflow from fee payers and to monitor this via increased monitoring;
- To improve profitability through, inter alia, an increased level of collection re fees.

Additionally, as part of its subsequent preparation of the Financial Forecasting Return, the College updated its Financial Planning model for the period 2022/23 to 2026/27 and this document was fed into the Financial Forecasting Return (FFR) which was approved by the Board and submitted to the Funding Council for this period.

Financial Performance for the Year

The following sections provide a summary of our financial performance in the year from the financial statements which are published on pages 37 to 59.

The Statement of Comprehensive Income and Expenditure ("SOCIE") for the year ended 31 July 2022 shows a deficit for the year of £1,204k (2021 surplus £356k) before the actuarial adjustment in respect of pension scheme gains of £9,403k (2021 £2,127k) produced a total comprehensive gain for the year of £8.2m (2021 gain of £19.9m after the impact of the revaluation gain on land and buildings of £17.4m). The valuation of land and buildings and the pension scheme actuarial movement, and their consequential impact on the accounts, are outwith the control of the College.

Grants received from SFC have increased from the previous year, however additional credits were also delivered in the current year therefore the overall average price per credit actually fell by 1%.

Tuition fees are consistent with the prior year. This is despite experiencing a 24% reduction in UK HE fees which is consistent with the rest of the sector. This loss has been mitigated by an increase in FE activity.

Other revenue grants of £80k (2021 £158k) mainly relate to a grant received by the College in respect of the project with SSE regarding windfarms. In the prior year, the monies related to the HMRC Job Retention Scheme.

Payroll costs have increased due to additional staff numbers (FTE) during the year, combined with an increase in baseline costs due to recent salary awards. Other operating expenses have increased from the previous year as a result of the College's efforts to bring more classes back on campus after COVID-19 forced the College to operate at a restricted capacity throughout the prior year in accordance with government guidelines. This is evidenced through the increase in other operating expenses for both teaching departments and teaching support. The Government's Consumer price inflation index (CPI) was 10.1% for the year to July 2022.

During the year, the College transferred £17k to Higher Education student support funds from its reserves. These funds were required in order to ease student hardship and best support our students.

Performance Report

Financial Performance for the Year (continued)

The main additions to fixed assets were in respect of the backlog maintenance works to the building, including substantial roofing works to ensure the safe and efficient future running of the College, together with the purchase of additional computer equipment which was funded by the digital support provision received from SFC. There were no fixed asset disposals in the year.

Debtors have increased from last year at £1,932k with £226k of the total being ESF monies which are due for disbursement by SFC in October 2022. The decrease in trade debtors is due to the timing of invoicing. At the year-end £628k was due to be invoiced to two key customers in respect of 2021/22 and this also gives rise to the increase in accrued income.

The cash position at 31 July 2022 was higher than usual at £3,628k due to various timing differences, and it should be noted that this is anticipated to significantly decrease in the early months of the 2022/23 year. A Strategic Investment Fund has been created and will be utilised during 2022/23 in order to ensure that the College is well-placed to continue to be one of Scotland's top performing colleges. The Board approved the set-up of this Fund and will be monitoring the spend. The College will also be repaying £151k of unspent student support funds to SFC during 2022/23, including £78k from the prior year which SFC is yet to clawback. Following the ONS reclassification of incorporated colleges as public bodies, we are no longer permitted to hold large cash balances. Whilst we have an overdraft facility with RBS, we did not require to use this in the year.

Creditors falling due within one year are lower than last year at £3,273k, largely due to a decrease in amounts due to SFC as the College's full student support allocation was not drawn down in the current year to ensure that the College did not draw down funds in excess of need. Additionally, deferred income in 2020/21 included £153k of HE discretionary funds which were received in June 2021 but related to 2021/22. No such amount required to be deferred in the current year as the first instalment for 2022/23 was received in August 2022. Accruals continue to increase due to National Collective Bargaining. At present, the National Collective Bargaining Job Evaluation exercise has not been finalised and this will be backdated to 2018/19. Therefore, the College is currently carrying 4 years of accruals and it is anticipated that these amounts will be paid in 2022/23.

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers at the end of the month following invoice or supply, or as otherwise agreed with the supplier concerned. All disputes and complaints are handled as quickly as possible. Creditor payment days were 13 days as at 31 July 2022 (21 days at 31 July 2020). The College had no interest payments liable under the Late Payment of Commercial Debts (Interest) Act 1998.

Deferred capital grants consist of capital grants received from Government sources. Next year's projected release of £759k (2021 £808k) is shown within creditors falling due within one year with the balance of £22.9m (2021 £22.8m) shown within creditors falling due after one year.

The early retirement pension provision has reduced by £44k to £400k.

The College uses actuaries (Hymans Robertson LLP) to undertake an annual valuation of its share of the Strathclyde Pension Fund asset (liability in the previous year). The valuation at 31 July 2022 reduced the deficit on the College share of this net pension asset (2021 liability) from £5.748m liability at 31 July 2021 to £2.391m asset as at 31 July 2022. £9.403m of the net movement was an actuarial gain (outwith our control) which has been reflected through the SOCIE as an increase in our total comprehensive gain for the year.

The revaluation reserve remains at £24.2m, due to the unrealised surplus on revaluation of land and buildings of £17.4m processed in the prior year after an independent valuation was conducted by Ryden LLP, a regulated firm of Chartered Surveyors. The College is satisfied that there has been no material change to the valuation in the current year, however it should be noted that the increased carrying value of land and buildings has led to a higher depreciation charge for the year, as shown in the SOCIE.

Taking all of the above into account, the SOCIE shows a total comprehensive gain for the year of £8.2m (2021 £19.9m), which flows through to the Balance Sheet as an increase in total reserves of £8.2m to give a reserves total of £32.4m as at 31 July 2022 (2021 £24.2m).

Performance Report

Core Financial Performance Indicators

The following financial KPIs demonstrate a healthy and improving overall financial position.

	2021/22	2020/21
Non SFC income as a % of total income	18.6%	19.3%
Current assets: current liabilities	1.72:1	1.49:1
Days cash	62	63
Prompt payment to suppliers	13 days	21 days
Net assets including pension provision	£32.4m	£24.2m

Financial Resource Position

The UK Office for National Statistics (ONS) reclassified all incorporated colleges as central government entities for the purposes of accounting and budgeting with effect from 1 April 2014. This has had a direct impact on the way in which the Scottish Funding Council (SFC) funds colleges and, in particular, the system of paying grants. It is SFC's responsibility to allocate both cash and resource budgets to colleges in order to support the delivery of their Outcome Agreements; the two colleges in the Region then agree on the allocation of activity and cash allocations, with the LRSB being ultimately responsible for SFC funding. SFC now:

- Distributes cash budgets on the basis of need;
- Monitors the cash paid out by SFC against the overall Financial Year cash budget;
- Monitors colleges spend and forecast outturn against approved resource budgets;
- Monitors college sustainability; and
- Provides information to Scottish Government and HM Treasury on the expected cash drawdown and on spend against resource budgets for the government financial year to 31 March.

The SFC monitors colleges adherence to budgets via monthly cash flow returns. These returns are on a purely cash accounting basis and therefore differ from FRS 102. The cumulative monthly cash flow returns are also reported to the College's Finance and Resources Committee, Board of Management and on a quarterly basis.

Spend of Fixed Budget for Priorities

Following reclassification, colleges receive a non-cash budget to cover net depreciation. This additional budget is not reflected through the SOCIE which is prepared in accordance with the FE/HE SORP. This has been designated by SFC as the fixed budget for priorities and was spent by us as follows:

	2021/22	2020/21
	£000	£000
Fixed budget for priorities	<u>197</u>	<u>197</u>
<i>Revenue priorities</i>		
Estates costs	<u>197</u>	<u>197</u>
Total priorities spend	<u>197</u>	<u>197</u>

Performance Report

Core Financial Performance Indicators (continued)

Adjusted Operating Position

With the College now designated as a public benefit entity, additional disclosures are required by the Accounts Direction issued by the Scottish Funding Council. The adjusted operating position shown below is intended to reflect the financial performance of the College after allowing for non-cash adjustments and material distorting adjustments produced by the SORP. The adjusted operating position is therefore designed to smooth out volatility in results arising from FRS 102 and give a better indication of the College's cash generative capacity.

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
(Deficit)/surplus from SOCIE before other gains / (losses)	(1,204)	356
Add depreciation (net of deferred capital grant)	530	262
non-cash pension adjustment - net service cost	1,163	878
non-cash pension adjustment - net interest cost	101	103
non-cash pension adjustment - early retirement provision	(12)	5
Donation to Foundation	500	0
Adjusted operating surplus	<u>1,078</u>	<u>1,604</u>

Going Concern

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue in operational existence for the foreseeable future. Whilst COVID-19 has impacted the overall environment in which the College operates, the Board takes comfort from the sound financial management within the College and the continuing ability of the College to meet its credits target. This being the case, the Board continues to adopt the going concern basis in preparing the financial statements.

The Performance Report on pages 5 to 16 was approved on behalf of the Board of Management and signed on its behalf by:

.....
Alan Sherry OBE, FRSA –
Acting Principal

.....
Paul Hutchinson –
Chairing Member of the Board of Management

Date

Date

Accountability Report

The Accountability Report is split into two sections: Corporate Governance Report; and a Remuneration and Staff Report. The College is not required to produce a Parliamentary Accountability Statement.

Corporate Governance Report

The Corporate Governance Report explains the composition and organisation of the College's governance structures and how they support the achievement of the College objectives.

The Corporate Governance Report includes a Directors' Report, a statement of the Board of Management responsibilities and a Governance Statement.

Directors' Report

Statutory Background

Opened originally as the School of Building in 1948 and subsequently being renamed Cambuslang College, the College was established under the Further and Higher Education (Scotland) Act 1992 for the purpose of conducting the business of the College. In March 1999, the name was changed to South Lanarkshire College and in February 2008, the College moved to a £33 million iconic campus in East Kilbride.

The College is a registered charity (Scottish Charity Number SC021181).

Directors

The directors of South Lanarkshire College are the Board of Management whose details are set out in the Governance statement.

Register of Interests

Board members are required to complete a declaration of interests. No significant company directorships or other interests were held which may have conflicted with their management responsibilities (see note 25).

Disclosure of Information to Auditor

The Board members who held office at the date of approval of this report confirm that, so far as they are aware, there is no relevant audit information of which the College's auditor is 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 auditor is aware of that information.

Post Balance Sheet Events

There were no events occurring after the year-end, which fall under the definition of a post balance sheet event, which impact on the financial results of the year. However, it should be noted that the investigation into matters of governance which commenced in January 2022 was completed in January 2023. During this time, the Principal of the College and the Clerk to the Board had been suspended and the Chair of the Board had stepped back from his duties. The tenure of the Chair, who had stepped back from his duties for the duration of the investigation, ended in May 2022 and he did not seek reappointment. At a Board meeting held on 16th January, the Principal and Clerk to the Board were dismissed on the grounds of gross misconduct.

Review of Financial Performance

A full review of financial performance has been given in the Performance Report on pages 13 to 16 of these financial statements.

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.

Regional Board Expenses

The College contributes to the share of the costs of operating the Lanarkshire Regional Strategic Board (LRSB). Its share of the costs in the year ended 31 July 2022 was £37,024 (2021 £43,585).

Accountability Report

Statement of the 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 internal control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Acts 1992 and 2005, the 2019 Statement of Recommended Practice - Accounting for Further and Higher Education, the 2020/21 Government Financial Reporting Manual (FReM) issued by HM Treasury and other relevant accounting standards. In addition, the Board of Management, through its designated office holder (The Principal), is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

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

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.

Financial statements of the College may be published on its website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the College's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with The LRSB 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 effective management of the College's resources and expenditure;
- Ensure sound corporate governance and proper conduct of the College's operations.

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of all College departments;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit and Risk Committee and the Finance and Resources Committee;
- A professional Internal Audit team whose annual programme is approved by the Audit and Risk Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

Accountability Report

Governance Statement

Introduction

The Board of Management of South Lanarkshire College is committed to exhibiting good practice in all aspects of corporate governance. This Governance Statement is written to assist the reader of the financial statements in understanding how the principles have been applied. The 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, including revised procedures, in the College in the year to 31 July 2022 and to the point of signing the annual report and accounts, and reports the Board's assessment of the effectiveness of these arrangements.

The Board has appointed two experienced Acting Principals since December 2021, as a consequence of the suspension of the substantive postholder, and the Acting Principals have been supported effectively by an experienced Depute Principal.

The substantive Chair stood back from office on 30th November 2021, at which point the current Chairing Member was appointed by the Regional Board. In the case of the Acting Principal role, the appointments were made to provide the highest level of cover during the suspension of the substantive Principal pending the outcome of two independent investigations which were completed in January 2023. The two Reports produced no evidence of any breach of the Code of Governance beyond the circumstances leading to and resulting in the breaches already published in the Section 22 Report following publication of the Accounts for the year ended 31st July 2021 and as at 31st July 2022 and also as at this date the College was and is fully Compliant with the Code of Governance. However, the College has put in place a 'rolling' Governance Action Plan which seeks to strengthen further its approach in this area.

An Acting Principal was in post until 31 March 2023 as the Board undertook a recruitment process for a substantive principal.

As a result, the Governance Statement will be overseen, approved, and signed by the Chairing Member and the Acting Principal. The Head of Finance and the Financial Accountant have worked with both Acting Principals to ensure that they have the necessary background knowledge and assurance to allow them to sign the annual report and accounts. Both Acting Principals have been supported fully by the Depute Principal. In addition, the current Acting Principal was briefed thoroughly by his predecessor prior to taking up post.

The current Chairing Member was previously the Vice Chair of the Board of Management and sat on the Audit and Risk Committee prior to his appointment to this role.

The Board

The SLC Board is responsible for the exercise of all functions of South Lanarkshire College. It exercises its powers and authorities through a Scheme of Delegation, which it determines and approves.

The Board is made up of independent non-executive members appointed by the Board subject to the endorsement of the Lanarkshire Regional Strategic Body (LRSB), the Principal (ex officio) together with employee and student representatives who are elected by their peers. The Chair of the LRSB is an ex officio member of the Board and arrangements have been which enable the chair of the LRSB Audit & Risk Committee to attend that committee of South Lanarkshire College. The Chairs of the respective Committees of the Board are non-executive members. The Chairing Member of the Board is appointed by the LRSB. The Board sets and monitors the strategic direction of the College, within the LRSB framework taking account of Scottish Government policy, oversees the work of the College and sets high standards of governance and management. Five members of the College Board are also included on the Board of the LRSB.

The Board's remit and responsibilities are prescribed in the Code of Good Governance and are outlined in the Scheme of Delegation. The Higher and Further Education Acts, the 2014 Lanarkshire Order and the Financial Memorandum between the LRSB and South Lanarkshire College, dated January 2016, provide further clarity on the roles and responsibilities of both bodies and the mutual expectations of the two colleges in the Region. In June 2019, the Memorandum of Understanding was jointly published that seeks to explain the relationship in plain English terms.

The College Acting Principal is accountable directly to the SLC Board for the proper conduct of College business and is accountable directly to the Chief Officer of the LRSB with regard to the proper use of funds deriving from the LRSB and its compliance with the requirements of the Financial Memorandum. The substantive Principal was in post for part of the 2021/22 financial year also had this accountability.

Accountability Report

Governance Statement (continued)

The Board (continued)

Since the introduction of the LRSB, funding is now allocated to the College by that body rather than directly from the Scottish Funding Council and is subject to the condition of compliance with objectives outlined within the Lanarkshire Regional Outcome Agreement (ROA). To provide the College management team with assurance that SLC is maintaining its commitment to deliver the ROA objectives, updates highlighting performance against key targets are presented routinely to College management team meetings where actions to address areas of potential underperformance are agreed. The Board and appropriate standing committees are also provided with routine reports on progress against ROA targets.

When new Board members are required, they are recruited using a transparent selection process which includes competitive interviews, focussing on their skills, experience and other attributes which would benefit the College. A full interview process is conducted through the medium of the Appointments Committee and including a meeting with the Chair and Vice Chair of the Board, with the Clerk to the Board in attendance.

The Board of Management who served in the year to 31 July 2022 were -

Name	Designation	Date of Change	Occupation
Andy Kerr	Chair *	To 30 November 2021; see note below	Executive Adviser – Govt. Relations (Social Care and Fair Work) Executive Team, ENABLE Group
Paul Hutchinson	Vice Chair	From 30 November 2021, initially as Acting Chair and thereafter as Chairing member appointed by the Regional Board	Head of Profession, Communications & Networks, Atkins Ltd.
Aileen McKechnie	College Principal *	To 16 January 2023.	College Principal & Chief Executive
Ronnie Smith			Chair of the LRSB
Clare Gibb	Chair of Finance and Resources Committee		Director & Company Secretary of McConnell Gibb Partnership
Lesley Glen	Chair of Audit and Risk Committee	Resigned – 7 September 2021	The Institute of Chartered Accountants of Scotland – Chief Operating Officer
Chris McDowall	Chair of the Human Resources Committee		Partner at Anderson Strathern LLP
Stuart Dillett		Term ended – 30 September 2021	Managing Director with idverde
Patricia Donnelly			Chief Executive, The Mungo Foundation
Sean Duffy		Term ended – 30 September 2021	Chief Executive of the Wise Group
Jean Carratt	Lecturing staff representative	Term ended – 30 September 2021	Care lecturer at SLC
Rose Harkness	Support staff representative	Term ended – 30 September 2021	Head of Student Services at SLC
Gemma McClarence	Student President 2020/21 & 2021/22	Appointed 1 July 2020 Term ended 30 June 2022	Student at SLC
Alan Mackie	Student Vice- President 2021/22	Appointed 1 July 2021 (to cover maternity leave of the Student President) Term ended 30 June 2022	Student at SLC

*Please refer to p.21 for further details on post year end changes to Designation

Accountability Report

Governance Statement (continued)

New members appointed to the Board of Management during the year were –

Name	Designation	Date of Change	Occupation
Liz McIntyre	Acting College Principal	16 December 2021 to 31 March 2022	Acting College Principal & Chief Executive
Alan Sherry	Acting College Principal	From 1 April 2022 with crossover from 28 March 2022	Acting College Principal & Chief Executive
Craig McLaughlin	Chair of Audit & Risk Committee (from 30 November 2021)	Appointed 4 November 2021	Senior Teaching Fellow, Strathclyde Business School
Declan Hogan		Appointed 4 November 2021	Regional Board Member for Webhelp & International Consumer Solutions
Douglas Morrison	Interim Vice Chair (from 16 December 2021)	Appointed 4 November 2021	Director of Operations & Future Skills, Construction Scotland Innovation Centre
Fiona Whittaker		Appointed 4 November 2021	Head of People & Organisational Development, North Lanarkshire Council
Heather Stenhouse	Chair of Curriculum, Quality & Development Committee (from 30 November 2021)	Appointed 4 November 2021	Assistant Faculty Manager, Strathclyde Business School
Heather Anderson		Appointed 4 November 2021	Assistant Director, Major Projects, University of Strathclyde
Anne Doherty	Support staff representative	Appointed 4 November 2021	Head of Alternative Funding at SLC
Cheryl Robertson	Lecturing staff representative	Appointed 4 November 2021; Resigned 15 December 2021	Lecturer at SLC
Tarryn Robertson	Lecturing staff representative	From 1 June 2022 following an election	Lecturer at SLC

Ms Patricia Donnelly was approved as the Senior Independent Member in June 2021. Due the absence of the substantive Clerk to the Board of Management the role of Clerk was filled by substitutes until the appointment of Mr Brian Keegan as Interim Clerk. Following the suspension of Mr Keegan, to enable an independent investigation into whistleblowing allegations a substitute clerk undertook the role prior to the appointment of Mr Peter Scott as the Independent Acting Clerk. These arrangements are in accordance with the Code of Good Governance. Other directorships of Board members may be found at <https://www.south-lanarkshire-college.ac.uk/about-us/about-the-board-of-management/board-members/>

Ms Rahela Calin also attended Board meetings as a student observer where the elected student representatives were not in attendance.

Board Committees

Attendance at the relevant meetings throughout the year to 31 July 2022 was as follows:

• Board of Management	95%	(2020/21: 72%)
• Audit and Risk	73%	(2020/21: 79%)
• Finance and Resources	95%	(2020/21: 91%)
• Human Resources	88%	(2020/21: 92%)
• Curriculum, Quality and Development	76%	(2020/21: 82%)

*** Note to the details of Committee composition in the notes below: the Chair, Mr A Kerr, and the substantive Principal, Ms A McKechnie, did not attend meetings after 30 November 2021 and was relieved of her duties on 16 January 2023.

Accountability Report

Governance Statement (continued)

Board Committees

Committees of the Board meet generally four times a year, reporting to the main Board at the immediately following Board meeting. Committees are comprised of lay members, with each also containing the Principal and the Chairing Member of the Board. The exception to this arrangement is that neither the Chairing Member nor the Principal can be a member of the Audit and Risk Committee. A lay member of the Board chairs all Committees. Appropriate College officers submit reports to, and attend, Committee meetings as required. The College also has a Remuneration Committee which meets as required. All Committees of the Board have written remits, referred to as Terms of Reference. A synopsis of these remits is given below.

Audit and Risk Committee

The Audit and Risk Committee invites the College internal and external auditors to all of its meetings, and they attend as business requires. The Committee considers detailed reports together with recommendations for the improvement of College systems of internal controls and management responses and implementation plans. It also concerns itself with monitoring College arrangements for Risk Management. In addition, it receives and considers reports from the Scottish Funding Council and Audit Scotland as they impact on College business and monitors adherence to the regulatory requirements. Whilst the Chairing Member of the Board and the Principal can attend meetings of the Audit and Risk Committee by invitation, they are not members of that Committee. In addition, the chair of the LRSB Audit & Risk Committee is invited to attend meetings. It should be noted that membership of the Audit and Risk and Finance and Resources Committees is mutually exclusive to ensure full objectivity in associated areas of remit. The Audit and Risk Committee for 2021/22 was comprised as follows:

Ms L Glen (Chair) (resigned 7 September 2021)

Mr P Hutchinson (Chair from 7 September 2021 – 30 November 2021)

Mr C McLaughlin (Chair) (appointed 4 November 2021 and as Chair from 30 November 2021)

Mr D Hogan (appointed 4 November 2021)

Ms F Whittaker (appointed 4 November 2021)

Ms Anne Doherty (appointed 24 February 2022)

Human Resources Committee

The Human Resources Committee oversees the development of policies and procedures related to personnel and health and safety matters. It considers report on national collective bargaining, staff development/professional learning and attendance management. The Committee reviews the College staffing structure and the recruitment and retention of staff. The Human Resources Committee for 2021/22 was comprised as follows: -

Mr C McDowall (Chair)

Ms R Harkness (term ended 30 September 2021)

Ms A McKechnie (see note *** on page 21)

Ms F Whittaker (appointed 4 November 2021)

Ms A Doherty (appointed 4 November 2021)

As Acting Principal, Ms L McIntyre was appointed to this Committee on 16th December 2021. Mr A Sherry was appointed to the Committee upon taking up the role of Acting Principal on 1 April 2022.

Finance and Resources Committee

The Finance and Resources Committee recommends to the Board College financial statements and its annual revenue and capital budgets and monitors performance in relation to these approved budgets. The Committee also advises the Board on overall estates strategy, the Strategic Investment Plan, procurement and planning for College property, equipment and estates. The Chair of the LRSB Finance has also been invited to meetings. The Finance and Resources Committee for 2021/22 was comprised as follows: -

Ms C Gibb (Chair)

Mr A Kerr (see note *** on page 21)

Mr S Dillett (term ended 30 September 2021)

Ms P Donnelly

Ms A McKechnie (see note *** on page 21)

Dr H Anderson (appointed 4 November 2021)

Mr D Morrison (4 November 2021)

As Chairing Member and Acting Principal respectively, Mr P. Hutchinson and Ms L McIntyre were appointed to this Committee on 16th December 2021. Mr A Sherry was appointed to the Committee upon taking up the role of Acting Principal on 1 April 2022.

Accountability Report

Governance Statement (continued)

Curriculum, Quality and Development Committee

The Curriculum, Quality and Development Committee considers and directs the College learning teaching and assessment policies and procedures. It monitors the College approach to self-evaluation and progress against the Quality Enhancement Action Plan and appropriate Her Majesty's Inspectors of Education reports. The Committee is responsible for the overview of the College marketing and commercial strategies. The Curriculum, Quality and Development Committee for 2021/22 was comprised as follows: -

Mr S Duffy (term ended 30 September 2021)

Ms J Carratt (term ended 30 September 2021)

Ms A McKechnie (see note *** on page 21)

Ms G McClarence (re-appointment 1 July 2021; during maternity absence, Mr A Mackie represented the student body)

Mr A Mackie (appointed 1 July 2021)

Ms. H Stenhouse (Chair) (appointed 4 November 2021)

Mr D Morrison (4 November 2021)

Ms C Robertson (appointed 4 November 2021, resigned 15 December 2021)

As Acting Principal, Ms L McIntyre was appointed to this Committee on 16th December 2021. Mr A Sherry was appointed to the Committee upon taking up the role of Acting Principal on 1 April 2022.

Remuneration Committee

The Remuneration Committee, comprising the chairs of each Committee, sets the salaries of the senior management team of the College and reviews nominations for Board and Committee membership. The Remuneration Committee meets as necessary throughout the year and is chaired by the Vice-Chair of the Board. Information on the Remuneration Committee is covered in the Remuneration and Staff Report below. Members of the Committee were:

Ms C Gibb (Chair of the Finance and Resources Committee)

Mr C McDowall (Chair of the Human Resources Committee)

Ms H Stenhouse (Chair of the Curriculum, Quality and Development Committee from 30 November 2021)

Mr S Duffy (Chair of the Curriculum, Quality and Development Committee until 30 September 2021)

Mr C McLaughlin, (Chair of the Audit and Risk Committee from 30 November 2021)

Ms L Glen (Chair of the Audit and Risk Committee until 7 September 2021)

Mr P Hutchinson was Vice Chair of the Board and thus Chair of this Committee until he was appointed as Chairing Member of the Board on 16th December 2021, at which point Mr D Morrison took over as Chair of the Committee. Mr Hutchinson remained a member of the Remuneration Committee.

Mr D Morrison (from his appointment as Interim Vice-Chair on 16 December 2021)

Mr A Kerr (see note *** on page 21)

Governance Update and Developments

The College Development Network undertook an external effectiveness review of the work of the Board in June 2021, which is part of ensuring that the Board has a robust self-evaluation process, as required by The Code of Good Governance for Scotland's Colleges. As part of this report eleven actions were recommended. Key recommendations relate to Board induction and training, the creation of an annual work plan for the Board and its committees, membership of Board committees, a revised approach to the reporting of KPIs and a focus on diversity in future Board recruitment. All of these recommendations, along with those contained in the further SFC Review of Governance, were included in a Governance Improvement Plan which was monitored by the Lanarkshire Regional Board.

This Plan has now been largely implemented with only a few improvements in course of completion. The process of building and strengthening relationships between the Board and the Senior Leadership Team commenced in February 2022 when all members attended an expanded Induction Session which included presentations by senior staff on Financial Management and Curriculum and Quality Development. Senior staff also attended a Board Strategy Meeting in March 2022 and participated in workshops in partnership with Board Members. Further such events were agreed by the Board for academic year 2022/23.

Following discussions between the LRSB and the Scottish Funding Council with regard to ongoing internal governance issues, the latter commissioned a review of governance at the College which took place in August 2021 (see following paragraph for details). This review has examined aspects of governance against the appropriate benchmarks contained in the Code of Good Governance for Scotland's Colleges. The detail of the report remains confidential, however the recommendations made have been included in the South Lanarkshire College Governance Improvement Plan which has been implemented during 2021/22. The College, and its external auditors, have been assured by the SFC that there are no further matters related to recommended improvements in corporate governance contained within the redacted elements of this report.

Accountability Report

Governance Statement (continued)

An Extraordinary Meeting of the Board of Management was called on 30 November 2021 to discuss ongoing matters in relation to governance issues. The Board agreed to commission two independent investigations and, for these matters to be fully scrutinised, it was decided to suspend the Principal and the interim Clerk to the Board, whilst the Chair of the Board stood down from his duties. As a consequence, the LRSB appointed Mr Paul Hutchinson as Chairing Member. At the 16 December 2021 meeting the Board approved the appointment of Ms. Liz McIntyre as Acting Principal to support the College during the independent investigations.

Also, at the 16 December 2021 meeting, the Board agreed that Mr Douglas Morrison would be appointed interim Vice Chair of the Board. It was also noted at this meeting that Mr Hutchinson's position as Chairing Member would exclude him from his position on the Audit and Risk Committee. The Board therefore agreed that Mr Craig McLaughlin, being appropriately qualified and experienced, would take on the position of Chair of the Audit and Risk Committee.

In order to ensure robust oversight of governance issues and opportunities for improvement, the Board agreed that the College would produce an overarching Governance Improvement Plan which would build on the recommendations made by the CDN review and the SFC review with members noting that the LRSB had requested such a plan. It should be noted that there was a joint meeting of the respective Chairs of Audit and Risk Committees on 16th November 2021 to discuss governance and assurance. The Chair of the LRSB also attended, as did the substantive Principal of South Lanarkshire College. It was agreed at this meeting that the Chairs of the respective ARCs would be invited to each other's ARC meeting.

At the time of signing the Report and Financial Statements, the confidential matters in relation to governance issues had been completed. Mr Hutchinson remained as Chairing Member and Mr Sherry remained as Acting Principal at that date and therefore signed the Report and Financial Statements on behalf of the Board and College.

The Board of Management 2020-2025 Strategic Framework details the strategic mission and strategic objectives which are aligned with the objectives of the Regional Outcome Agreement between the College and LRSB. The strategic plan reflects the governance arrangements with the Regional Board.

The Board has put in place a five-year financial strategy and an updated five-year financial forecast to 2026/27 which was approved by the Board in November 2021. The five-year financial strategy is revisited annually and incorporated within our overall strategic plan. The figures from the approved five-year financial strategy are reflected within the Financial Forecast Return (FFR) which is submitted annually to SFC via the Regional Board. The College performs an annual self-assessment, outlining performance against key targets and performance indicators within the Regional Outcome Agreement.

Board Effectiveness

The Board undertakes an annual self-evaluation exercise, and one separate session per year is devoted to strategic planning and governance. In addition, and in accordance with the Code of Good Governance for Scotland's Colleges, an externally facilitated Board effectiveness review was undertaken and the report was published in summer 2021. The review involved the design and issue of a self-assessment questionnaire to all Board Members, interviews with Board Members, facilitation of a Board effectiveness workshop, testing of the findings emerging from the workshop and development of an action plan for improvement. This report was distributed to The Regional Board and has been published on the College website. For 2021/22, the exercise commenced in June 2022.

Each Committee now aims to produce a report on its work throughout the year, and these reports are presented to a meeting of the full Board. This provides a self-evaluation exercise for each Committee to supplement the Board's annual self-evaluation.

Accountability Report

Governance Statement (continued)

Review of Effectiveness of Internal Control and Risk Management

Due to the impact of the coronavirus pandemic, the Board concluded that there should be a continuity of service to ensure that the issues and challenges raised would be followed up in the most efficient manner, it was agreed to extend the contract of Azets as internal audit providers by one year to cover the year to 31 July 2022. Following a competitive tender process initiated in April 2021 Henderson Loggie LLP have been appointed as internal auditors for four years from 4 November 2021. However, it should be noted that erstwhile internal auditors Azets actually undertook the work on the Student Support and Credit Activity audits on the 2020/21 session in October 2021 as the final part of their contract with the College.

The systems of internal control are designed to evaluate the nature and extent of any risks and to manage them efficiently, effectively, and economically. The Board's oversight of internal control processes has been strengthened considerably by an on-going member training programme which has focussed on Financial Management, Risk Strategy and Curriculum/Quality Development. In addition, other core topics including Community Benefit and Equalities have been considered at joint Board/SLT training events. This approach linked to the following contributes to an effective system of internal control:

- detailed budgeting processes with an annual budget approved by the Board;
- regular reviews by the Board and the management team of financial reports covering progress towards financial targets;
- annual reviews and updates to Standing Orders, Scheme of Delegation and Financial Regulations; and
- quarterly reviews of the corporate risk register.

The College Board has continued to review and revise its approach to control and assurance arrangements to support effective risk management, supported by advice from its Internal Auditors and External Auditors. The systems are designed to manage, rather than eliminate, the risk of failure to achieve College policies, aims and objectives. As is standard, it provides reasonable and not absolute assurance of effectiveness. A review of financial controls and processes in-year was commissioned outwith their annual cycle. This report was dealt with separately by the Audit and Risk Committee as a standalone item. As per the note on page 8, the Committee noted at its September 2022 meeting that 75% of the points had been cleared, with the remainder relating to wider areas not specific to the investigation.

The system has been in place for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements. The internal auditor has expressed the opinion that the Board did have adequate and effective risk management, control, and governance procedures to manage its achievement of the College's objectives at the time internal audit work was undertaken.

The Board of Management has responsibility for the system of internal control and reviewing the effectiveness of the systems of internal control and risk management arrangements. The Board's review of internal control review is informed by:

- the Senior Leadership Team within the College which has responsibility for the development and maintenance of the internal control framework, supported by the Risk Management Group;
- the line management process within the College and framework of regular management information;
- the work of the internal auditors, which is directed through an audit plan agreed by the Audit & Risk Committee and focuses on identified control risk areas. The internal auditors submit regular reports on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- the College's Audit & Risk Committee, which assesses the effectiveness of assurances in relation to the systems of governance, risk management and internal control;
- joint work with the LRSB Audit & Risk Committee, part of which includes a review of assurance re SLC's Regional responsibilities by the LRSB internal audit service providers;
- audit work by a range of external bodies; and
- comments made by the external auditors in their management letters.

In addition, the College has sought to engage meaningfully with Mazars, its external auditors, with regard to corporate governance.

Accountability Report

Governance Statement (continued)

The Regional Risk Group has a remit to identify and address strategic risks which may impact the Region, as opposed to those that may only affect the two colleges individually within the Region. Management from both colleges are members of the Group. The Group reports to the Audit & Risk Committee of the LRSB, including reporting on the Governance Improvement Plan, whilst the College Audit & Risk Committee both also receive and consider the reports produced by the Regional Group. During 2021/22, as a consequence of the pandemic, the College included the work of the Risk Management Group in Senior Leadership Team meetings in order to be able to respond rapidly to circumstances. Now that circumstances have changed the Risk Management Group will be re-established from August 2022. As part of the LRSB oversight role, there is information flow between routine communication between that body, the SLC Board and its committees.

Key issues and risks identified within the current Risk Register are detailed within the Performance Report at page 7 of these financial statements, along with details on how the risks are managed and mitigated.

Significant Issues

During the financial year to 31 July 2022 and to the date of this statement, there have been a number of governance and control improvements implemented during the academic year to address recommendations contained in external reports in order to ensure compliance with the Code of Good Governance for Scotland's Colleges.

Statement of Compliance with the 2016 Code of Good Governance

The Board's review of Governance in 2020/21, identified four breaches of the Code of Good Governance. However, it is vital to acknowledge that no further breaches have been identified. Furthermore, the College has addressed these breaches reported and is pleased to report that it is now fully compliant with the Code.

Breach One

Membership of the Board and Audit & Risk Committee fell below the required number for one and two months respectively and sundry meetings did not take place

Schedule 2 of the Further & Higher Education (Scotland) Act 1992 requires the Regional Strategic Body (RSB) to appoint Board Members for assigned colleges, and on 4 October 2021, new members were duly appointed subject to approval by the South Lanarkshire College Board which, though not required by statute, was a recommendation from the Regional Board. This ratification took place on 4 November 2021. During the period from 4 October/4 November 2021 the former Chair, with a governance expert, engaged with all new members on the work of the Board and its standing committees.

The Board does accept that the cancellation of the October 2021 board meeting denied an opportunity to ratify new members and appoint them to standing committees timeously. Subsequently, the membership of the Audit and Risk Committee did not comply with its Terms of Reference until 4 November 2021.

The Board can confirm that since 4 November 2021, all board and standing committee meetings have been quorate and as of 31 July 2022, the College is fully compliant with this aspect of the Code.

Breach Two

Transparency of Board and Committee Papers

The Board accepts that the College was non-compliant with this aspect of the Code until April 2022.

Following the appointment of a qualified Clerk and Governance Professional in January 2022, the College identified that it would take time to conduct the necessary due diligence on minutes and papers for meetings held in late 2021 prior to publishing the papers.

This was completed in by the conclusion of April 2022 and since that time, all papers were published timeously and as 31 July 2022, the College is fully compliant with this aspect of the Code.

Accountability Report

Governance Statement (continued)

Breach Three

In person induction of newly appointed Board members.

The Board accepts that no collective in person induction of new Board Members took place until February 2022 as it took the decision to delay such a meeting until the easing of the restrictions related to the COVID pandemic. With hindsight, the College accepts it could have moved earlier to provide a virtual induction meeting.

The former Chair, with a governance expert, briefed all new members on the work of the Board and its standing committees. In addition, all new members received a comprehensive South Lanarkshire College Board specific induction manual and were provided with access to the College Development Network on-line induction programme. Furthermore, the appropriate members of the Senior Leadership Team provided briefings to all standing committee chairs throughout session 2021/22 and the incoming chair of the Audit and Risk Committee was briefed comprehensively by the former chair of that committee when appointed in November 2021. Finally, from February 2022, Board members have taken part in a range of events to develop still further their understanding of the College Sector and its governance arrangements.

The College was at 31 July 2022 fully compliant with this aspect of the Code.

Breach Four

The Board had no approved operational Internal Audit facility in place for the first 3 months of the academic year 2021/22.

The College's previous Internal Auditors did undertake the internal audit of Credits and Student Support Funds in the period August 21 - October 21, but this was a delayed piece of work from the 2020/21 internal audit plan. There was a delay to the appointment of the new Internal Audit Service until November 2021 and the Internal Audit Plan was not approved until March 2022. The Internal Audit Plan for 2021/22 was discharged by 31 July 2022 with all agreed audit activities completed and therefore, at year end, the College is fully compliant with this aspect of the Code.

Compliance with the Code of Good Governance - Further Actions

During academic/fiscal year 2021/22, the Board addressed recommendations set out in a Governance Improvement Plan. Progress against this Improvement Plan was reported routinely to the Audit and Risk Committee and the Board of Management. In addition, the Regional Strategic Body Audit and Risk Committee also considered reports on progress. The Board has concluded that it has discharged the actions set out in the Improvement Plan, and following the outcome of an Internal Audit review and with the approval of the Board of Management, it has replaced this document with a Rolling Review Programme to ensure the highest standards of governance. This approach has been agreed with the Regional Strategic Body. During the period covered by this report, the Board reviewed and revised several key corporate governance documents and policies including:

- adoption of a new Code of Conduct;
- the Scheme of Delegation;
- Terms of Reference for all standing committees;
- Financial Procedures and associated policies; and
- Key Human Resources policies.

This demonstrates the commitment of the Board to comply with both the letter and spirit of the Code of Conduct and the Code of Good Governance.

Overall

The Board is of the view that as at 31st July 2022, it was fully compliant with the Code of 2016 in every particular and that a comprehensive Governance Improvement Plan has been completed. In addition, the College is now fully in line with the September 2022 Edition of the Code of Good Governance which demonstrated further its commitment to sound corporate governance.

Data Security

There were no significant lapses of data security during the year ended 31 July 2022. During the year, the College was re-accredited with Cyber Essentials Plus and was previously the first college in the United Kingdom to receive this accreditation. Cyber Essentials is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats.

Accountability Report

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2021/22 Government Financial Reporting Manual (FRoM) issued by the HM Treasury.

The Board takes the view that the person in the role of Principal is the only member of College staff with a strategic position within the organisation to sit on the Board of Management, only they and any non-executive members of the Board of Management should be the subject of the Remuneration Report. The report sets out the remuneration and accrued pension benefits of the Chief Executive Officer (Principal) and the Chair of the Board. However, it should be noted that the Chair does not receive a salary, nor a pension, as a result of the position with the College; thus, there are no figures to report.

Remuneration Policy

The College has a Remuneration Committee comprising the Chair of the Board of Management and the chairs of the committees which report to the Board. The Committee determines the salaries of all members of the College Senior Management Team. The College takes the view that the Principal and Depute Principal are the salaried members of staff with a strategic position within the College who influence the decisions of the Board. The table below provides detail of the remuneration and pension interests of the Principal, Acting Principals and the Depute Principal. Note that the Depute Principal was appointed partway through 2020/21 and thus the table below will not show a full year's salary for that year.

Name	Year ended 31 July 2022			Year ended 31 July 2021		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Aileen McKechnie	120-125	25-30	150-155	120-125	25-30	150-155
Liz McIntyre	35-40	-	35-40	-	-	-
Alan Sherry	40-45	-	40-45	-	-	-
Stella McManus	85-90	20-25	110-115	55-60	10-15	65-70

The figures above represent the amount paid to the Principal and Depute Principal in the 2021/22 year, along with the amounts paid to each of the Acting Principals during 2021/22 with the comparatives showing the amounts paid to the Principal and Depute Principal in 2020/21. The Principal, Acting Principals and Depute Principal received no performance related pay, bonuses, salary paid in lieu of pension nor non-cash benefits in either year. Neither Acting Principal were members of a pension scheme during their tenure and thus there was no financial impact in this regard.

Liz McIntyre was Acting Principal from 16 December 2021 to 31 March 2022. Her full-time equivalent salary would be in the band of £120-125k.

Alan Sherry was appointed as Acting Principal and took up his position on 1 April 2022. His full-time equivalent salary would be in the band of £120-125k.

Median and Range of Remuneration

The mid-point remuneration of the highest paid official in the organisation in the financial year 2021/22 was 4.25 times (2020/21: 4.25 times) the median remuneration of the permanent workforce which was £34,685 (2020/21 £33,685). It should be noted that the median figure does not reflect the average salary of staff in the organisation; the median is significantly less than the average salary due to the significant number of College employees who receive this.

Year	25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2021/22	4.69:1	3.71:1	2.83:1

The College pays the Glasgow Living Wage (£9.50 per hour as of April 2022) as a minimum and thus the lowest salary expressed as an FTE is £17,290 with the highest salary being £125,000. The College received Living Wage Accreditation in 2016/17.

Accountability Report

Remuneration and Staff Report (continued)

Accrued Pension Benefits

Pension benefits for employees are provided through the Scottish Teachers' Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS).

Both STSS and LGPS are defined benefit pension schemes. This means that pension benefits can be calculated based upon on the number of years that the person has been a member of the scheme and the accrual mechanism in each of these years. For both schemes, in the majority of cases, the benefits are based upon final salary for all service to 31 March 2015 and career average earnings for benefits from 1 April 2015.

Further details may be found at www.spfo.org.uk and www.sppa.gov.uk.

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

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.

Senior Officials Pension

Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below.

Name	Accrued pension at pension age at 31 July 2022	Accrued lump sum at pension age at 31 July 2022	Real increase in pension Year ended 31 July 2022	Real increase in lump sum year ended 31 July 2022	CETV at 31 July 2022	CETV at 31 July 2021	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aileen McKechnie	12	0	8	0	181	63	104
Stella McManus	2	1	1	0	29	11	18

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 combined Local Government and previous college service and not just their current appointment.

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

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

Real increase in CETV

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

Compensation for loss of office

No employees left under voluntary exit terms during the year and no voluntary exit payments were made.

Accountability Report

Remuneration and Staff Report (continued)

Staff Numbers and Related Costs

Staff Numbers (Gross)		2021/22	2020/21		2021/22	2020/21
Staff on Permanent contracts	Numbers	303	294	Cost	£12,935k	£12,280k
Staff on Temporary contracts	Numbers	40	60	Cost	£627k	£1,056k
Male staff	Numbers	119	117			
Female staff	Numbers	204	237			

Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 March 2022.

Relevant union officials

Number of employees who were relevant union officials during the year:	Full-time equivalent employee number
3	0.45

Percentage of time spent on facility time

Percentage:	Number of employees:
0%	0
1%-50%	3
51%-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time:	£21k
Total pay bill:	£13.6m
Percentage of the total pay bill spent on facility time:	0.16%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	100%
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Expenditure on consultancy

Expenditure on consultancy during the year was £15k (2020/21 - £11k).

Professional fees re external investigation

Expenditure on the external investigation during the year was £293k excluding VAT (2020/21 - Nil).

Off-payroll Engagements

There were no off-payroll engagements during the year (2020/21 – nil).

Continuous improvement

The College is focused on achieving high sustainable performance through the dedication, capability and professionalism of all staff. The aim is to support a culture of continuous improvement in people management strategies and ultimately supporting the achievement of the College vision, mission, strategic aims and objectives.

Ongoing workforce planning enables the College to achieve high and sustainable performance by providing the basis for better decision-making about the future needs of the organisation in terms of its people resources. The College developed a 5-year Workforce Planning Strategy (2017/2021); which is currently being refreshed as an Employee Journey Strategy, which will support improved employee engagement. This approach to continuous improvement demonstrates the College's commitment to attracting, recruiting, motivating and engaging staff that can then be supported, developed, and thereby retained to ensure that the best people deliver high quality learning to students.

Accountability Report

Remuneration and Staff Report (continued)

Investors in People

The College achieved Investors in People recognition in 1997 and has continued to retain recognition since then. At the assessment visit in 2010, the College achieved Gold Status and retained this in 2013. In September 2015, Investors in People launched a new standard, which incorporated a new level of accreditation, Platinum. In May 2016, South Lanarkshire College became the first college to be awarded Platinum accreditation against the Investors in People Standard, demonstrating the ongoing commitment to high performance through good people management and during the previous year the College became the first to be re-evaluated at Platinum standard. The College is currently undertaking re-accreditation for Investors in People Platinum.

Training and Development

The College respects and values the contribution of all staff and wants them to achieve their full potential. To achieve this and as part of the ongoing commitment to developing staff, the College annually programmes days dedicated to staff development, as well as organising ongoing staff training as appropriate and hosting an annual All Staff Conference.

A varied programme is offered on staff development days which focus on learning and teaching, equalities, health and safety, safeguarding and developing skills. In the current year, these sessions focussed on training for online learning tools in response to the changes which were required to the teaching environment as a result of COVID-19; as well as on health, well-being and resilience.

In addition, there is continual staff CPD activity throughout the year and staff are encouraged to continually seek opportunities to develop. All staff have a personal learning log that records all CPD activities undertaken. The College has a renewed focus on ensuring the provision of an engaging and effective employee journey, which is supported by ongoing, effective development of people managers to ensure the enablement of engagement, management and leadership practices. The College has recently re-launched an automated Career Review process and provided manager training on performance feedback and coaching.

Staff Absence

Staff absence for year 2021/22 was 7.12% (2020/21 - 4.80%).

Equality Policy

The South Lanarkshire College ethos statement, 'We believe in equality and diversity' confirms the commitment to placing this key issue at the forefront of all the College's work. South Lanarkshire College takes full account of the protected characteristics as defined in the Equality Act 2010.

As a service provider and an employer, the College is committed to mainstreaming equality and aims to constantly promote equality in its work, and to strive to prevent discrimination of any kind. The aim is to provide fair and equal opportunities to all learners, staff, stakeholders and partners. The College welcomes learners and staff from all backgrounds and actively seeks to promote equality and to eliminate discrimination harassment or victimisation.

Awareness Raising & Changing Attitudes

The College was proud to achieve the Investors in People Health and Wellbeing Award in 2016 and is currently seeking re-accreditation in the renamed "We Invest in Wellbeing" award. During 2020/21 we continued to work closely with our catering provider to ensure healthy options are always available to staff and students. We now provide staff with a slimming class that meets on a weekly basis and are continuing with the running/walking group and circuits classes on a weekly basis for staff facilitated by a professional personal trainer.

Equality, Diversity and Inclusion

The College has a clear vision and strategy to promote equality, access and inclusion. This links with all aspects of our activity, as can be demonstrated by our strategic aim to promote equality and diversity. As a Leader in Diversity since September 2014, the Board is committed to eliminating unlawful discrimination, harassment and victimisation, to advancing equality of opportunity and to fostering good relations. This recognises an effective, all-encompassing approach to managing equality, diversity and inclusion within the College. Working with Investors in Diversity has enabled the College to move beyond legal compliance and towards promoting and celebrating equality and diversity.

The College reviewed the six 2017-2021 Equality Outcomes. It has received good results for all and, with the exception of one sub-action which remains in progress, has fully delivered on these. New four-year Outcomes are in progress.

Accountability Report

Remuneration and Staff Report (continued)

The College produced a Public Sector Equality Duty Report in 2021, which provides an overview of the work undertaken by the College on equality, and the legislative, economic and social changes both locally and nationally. It demonstrates the progress made in relation to the Public Sector Equality Duty under the Equality Act 2010 and the Equality Outcomes generated detail what the College plan to do, taking account of the need to: -

- Eliminate discrimination, harassment and victimisation; victimisation and any other conduct that is prohibited by or under the Equality Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

During 2017/18, the College became a Disability Confident Employer and is continuing to promote the commitment to equality throughout the recruitment process. The College was re-accredited in 2021.

The Board's Gender Action Plan is aligned with the Strategic Framework and is our guide to promoting gender equality. It is also our roadmap to achieving the ambition set by the Scottish Funding Council, that by 2030 no college or university will have a gender imbalance of greater than 75% of one gender.

The Board has embraced Government initiatives to widen access and inclusion for all learners and is taking this work forward through the Access and Inclusion Strategy, Equality Outcomes Action Plan, and the Gender Action Plan.

The Equality Group is chaired by the Acting Principal and has student and staff representation. This Group takes its membership from across the College and meets on a regular basis to examine and consider all equality related issues and act as a channel of communication where issues affecting staff or students can be raised and addressed or referred to appropriate bodies for action.

In partnership with LGBT Youth Scotland and other support agencies, the College seeks to promote inclusiveness, equality, and diversity. The College is dedicated to raising awareness and improving visibility of LGBT+ people and the Students' Association was proud to receive the LGBT+ Silver Charter Mark Award in October 2020. To date they have been involved in a range of activities including the College's own Pride Stride and movie night and attending Virtual Pride, though all this was curtailed during the pandemic. The LGBT+ Silver Charter Mark Award helps demonstrate the positive work undertaken across the College to ensure that our learning environment is inclusive for everyone regardless of their gender identity or sexual orientation. The College seeks to be a community where everyone is treated with respect, fairness and understanding.

The Board is committed to performing all our tasks as a caring, inclusive community where any instances of harassment and discrimination are reported and investigated.

In October 2020, the College was presented with the '*Going Further for Student Carers: Recognition Award*' by the Carers Trust at their annual conference This was an outstanding achievement and recognises the significant effort and energy which is invested across the College to support student carers to achieve their full potential. To achieve this, the Students' Association worked in close partnership with staff across the College to ensure that:

- Student carers are being proactively identified from enrolment to completing their college course, and awareness is being raised throughout the College all year round;
- Student carers are being supported to give them a fair chance to be successful in their studies and maintain positive health and wellbeing;
- Student carer progressions are showcased, and evaluation tools are used to celebrate achievements and make improvements to ensure that appropriate support is delivered.

We continue to work closely with the Carers Trust to ensure that services and support across the College meet the needs of student carers.

Accountability Report

Remuneration and Staff Report (continued)

Health and Wellbeing

The health and wellbeing of staff and students remains a strong focus for the College, with significant additional investment in-year to support colleagues through the COVID-19 lockdown and to return to campus in a blended way.

We continue to host our annual Health & Wellbeing week which is run in conjunction with the Students Association. This is another opportunity for a wide range of organisations to attend the College with information and activities for students and staff. Included in the event were Health MOTs for staff carried out by HNC Care and Administrative Practice Students and Winter Flu Vaccinations for staff amongst a variety of other activities.

The Board remains committed to supporting and improving the mental health of our staff and students. We provide yoga and mindfulness classes to staff and students on a weekly basis during term time. The proactive Mental Health Working Group meet on a regular basis to discuss any concerns raised and ensure they are addressed. The College recognised the impact of COVID-19 on the mental health of its staff and students, and as a result joined 'Togetherall', a support service that provides 24/7 mental health support from trained professionals. Togetherall provides a safe space online where students and staff can get thoughts off their chest, explore their feelings, and learn skills to help self-manage their mental health and wellbeing. It also offers counselling if required.

The College has an increasing number of staff trained in Mental Health First Aid and ASIST (Applied Suicide Intervention Skills Training), ensuring we can respond quickly and provide that all important one-to-one support to those who need it.

To further support mental health and wellbeing, the College developed and delivered a new in-house COVID Resilience workshop and Student Relaxation Course. The COVID Resilience workshops featured a strong focus on resilience strategies, in addition to outlining the various support services available. The purpose of these one-off sessions was to introduce the concept of resilience, address what stress means, how to recognise when we are stressed and provide practical tips on how to develop resilience.

Supporting student mental health and wellbeing is a key priority at South Lanarkshire College. Reflecting this, the College, in partnership with the Students' Association, created a Student Mental Health Strategy to cover 2019-2024 outlining the support available to all students, as well as our aims for expanding and developing support across all areas of the institution. Part of this work included the creation of an Action Plan which is reviewed annually to ensure progress is made in relation to mental health support.

The Students' Association continue to be part of the NUS Think Positive initiative and have produced a further Student Mental Health Agreement for 2020-22. We review and publish on an annual basis to highlight the different support services available to students.

In May 2021, the College was selected to be one of the pilot institutions, and one of only two colleges, working with EmilyTest on the Gender Based Violence Charter for colleges and universities. EmilyTest is a Scottish charity working to improve prevention, intervention and support concerning gender-based violence in further and higher education. The College takes a zero-tolerance approach to all instances of gender-based violence and has developed a strategy and action plan that is underpinned by two strategic priorities:

- Prevention
- Support & Wellbeing Framework

The Accountability Report on pages 17 to 33 was approved on behalf of the Board of Management and signed on its behalf by:

.....
**Alan Sherry OBE, FRSA -
Acting Principal**

.....
**Paul Hutchinson -
Chairing Member of the Board of Management**

Date

Date

Independent auditor's report to the Board of Management of South Lanarkshire College, 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 South Lanarkshire College for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows 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 in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 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 31 May 2016. The period of total uninterrupted appointment is six years. 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. 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 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:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing 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 [my/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 part 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 part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Other information

The Board of Management is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part 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 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 [I/we] require for [my/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 120 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 Hoose, for and on behalf of Mazars LLP
100 Queen Street
Glasgow G1 3DN

Date

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

Statement of Principal Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015: 'Accounting for Further and Higher Education' and the 2018/19 Government Financial Reporting Manual (FReM) issued by the Scottish Government 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. They conform to relevant parts of the Scottish Public Finance Manual (SPFM), the Accounts Direction and other guidance issued by the Scottish Funding Council.

Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of land and buildings.

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM is contradicted by the SORP, the SORP has taken precedence. The particular policies adopted by the College in dealing with items that are considered material to the financial statements are set out below.

Income recognition

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

Fee income is stated gross of any expenditure and credited to the SOCIE over the period in which students are studying.

Investment income is credited to the statement of comprehensive income and expenditure on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant Funding

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

Grants from non-government 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.

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 in the SOCIE at the point when the College is entitled to the funds. They are subsequently retained within a restricted reserve until such time that expenditure is incurred in line with such restrictions at which point the income is released to unrestricted reserves through a reserves transfer. Donations with no restrictions are recognised in income in the SOCIE 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 of the restriction applied to the individual endowment fund.

Statement of Principal Accounting Policies (continued)

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective;
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College;
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College has the power to use the capital;
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

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.

Fixed Assets

The College's buildings are specialised buildings and are revalued to fair value. They are revalued on a three-year cycle unless there is evidence of a material movement in them. Buildings are depreciated over the expected useful economic life to the College of 50 years, but land is not depreciated. Buildings erected as specialised teaching facilities such as the College's eco-house, are depreciated over 10 years.

Assets costing less than £10,000 are written off to revenue in the period of purchase. However, individual assets whose costs fall below the threshold but are of a similar type are grouped.

Where assets are purchased with the aid of government capital grants, they are capitalised and depreciated per the rates shown below. Government capital grants relating to specific capital expenditure on depreciable assets are treated as a deferred credit and are recognised in income on a systematic basis over the expected useful lives of the assets to which the grants relate.

A review for impairment of fixed assets is carried out at each reporting date.

Other fixed assets are carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing other assets, as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation on the revalued amount of these assets is transferred from revaluation reserve to unrestricted reserve together with any surplus or deficit on disposal.

Depreciation

Depreciation is charged over the estimated useful life of the asset to the residual value of the asset where appropriate. Depreciation rates used are as follows:

Land	Land is not depreciated
Buildings	2% per annum straight line to a residual value
Furniture & Fittings	25% per annum straight line
Computer Equipment	25% per annum straight line
Plant & Equipment	4% and 10% per annum straight line
Eco-House	10% per annum straight line
Motor Vehicles	33% per annum straight line

Statement of Principal Accounting Policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Accounting for Retirement Benefits

All members of staff have the option of joining a pension scheme. The schemes currently open to members of staff are the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). These schemes are defined benefit schemes which are externally funded.

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

Defined Benefit Schemes

Defined benefit schemes are post-employment benefit plans other than defined contribution schemes. Under defined benefit schemes, the College's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College should recognise a liability for its obligations under defined benefit schemes net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Strathclyde Pension Fund

The Strathclyde Pension Fund is a pension scheme providing benefits based on 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 schemes, after making allowances for future withdrawals. The amount charged to the SOCIE represents the service cost expected to arise from employee service in the current period.

Scottish Teachers' Superannuation Scheme

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on 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 FRS102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the period.

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.

Cash and cash equivalents

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. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Statement of Principal Accounting Policies (continued)

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

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 505, Income and Corporation Taxes Act 1988 and is exempt from Corporation Tax and Capital Gains Tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Maintenance of Premises

The costs of maintaining College premises are charged to the SOCIE in the year in which they are incurred.

Operating Leases

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

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund which the College must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- a. the College has a present obligation (legal or constructive) as a result of a past event;
- b. it is probable that an outflow of economic benefits will be required to settle the obligation; and
- c. a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes to the financial statements.

Changes in accounting policy

There were no changes in accounting policies in the year.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

		Year ended 31st July 2022	Year ended 31st July 2021
	Note	£000	£000
Income			
Scottish Funding Council grants	1	15,578	15,324
Tuition fees and education contracts	2	3,319	3,309
Other income	3	236	358
Investment income	4	1	-
Total income		19,134	18,991
Expenditure			
Staff costs	5	14,725	14,098
Other operating expenses	7	3,717	3,366
Donation to charitable trust	8	500	-
Interest and other finance costs	9	90	109
Depreciation	10	1,306	1,062
Total expenditure		20,338	18,635
(Deficit)/surplus before taxation		(1,204)	356
Taxation	11	-	-
(Deficit)/surplus for the year		(1,204)	356
Actuarial gain in respect of pension scheme		9,403	2,127
Unrealised surplus on revaluation of land and buildings		-	17,370
Total comprehensive gain for the year		8,199	19,853
Represented by:			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		8,199	19,853
		8,199	19,853

All items of income and expenditure relate to continuing activities

The above Statement of Comprehensive Income has been prepared under the FE/HE SORP which does not permit the inclusion of any non-cash budget for depreciation. Note 26 shows our adjusted operating position including this depreciation budget.

The notes on pages 45 to 59 and accounting policies on pages 37 to 40 form part of these financial statements

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

STATEMENT OF CHANGES IN RESERVES

	Income & expenditure reserve			Revaluation reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted £000		
Balance at 1st August 2020	-	-	(2,573)	6,876	4,303
Surplus from the income & expenditure statement	-	-	356	-	356
Actuarial gain in respect of pension scheme	-	-	2,127	-	2,127
Unrealised surplus on revaluation of land and buildings	-	-	-	17,370	17,370
Transfer between revaluation and unrestricted reserve	-	-	2	(2)	-
Total comprehensive gain for the year	-	-	2,485	17,368	19,853
Balance at 1st August 2021	-	-	(88)	24,244	24,156
(Deficit) from the income & expenditure statement	-	-	(1,204)	-	(1,204)
Actuarial gain in respect of pension scheme	-	-	9,403	-	9,403
Unrealised surplus on revaluation of land and buildings	-	-	-	-	-
Transfer between revaluation and unrestricted reserve	-	-	-	-	-
Total comprehensive gain for the year	-	-	8,199	-	8,199
Balance at 31st July 2022	-	-	8,111	24,244	32,355

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

BALANCE SHEET

		As at 31st July 2022	As at 31st July 2021
	Note	£000	£000
Non-current assets			
Fixed assets	10	<u>50,969</u>	<u>51,404</u>
Current assets			
Stocks	12	8	8
Trade and other receivables	13	1,932	1,712
Cash and cash equivalents	19	<u>3,628</u>	<u>3,473</u>
		5,568	5,193
Creditors: amounts falling due within one year	14	<u>3,273</u>	<u>3,494</u>
Net current assets		<u>2,295</u>	<u>1,699</u>
Total assets less current liabilities		53,264	53,103
Less: Creditors - amounts falling due after one year	15	22,900	22,755
Less: Provisions for liabilities	16	<u>400</u>	<u>444</u>
Net assets excluding pension (asset)/liability		29,964	29,904
Net pension (asset)/liability	18	<u>(2,391)</u>	<u>5,748</u>
TOTAL NET ASSETS		<u><u>32,355</u></u>	<u><u>24,156</u></u>
Reserves			
Revaluation reserve		24,244	24,244
Income and expenditure account - unrestricted		8,111	(88)
Income and expenditure account - restricted		-	-
TOTAL RESERVES		<u><u>32,355</u></u>	<u><u>24,156</u></u>

The Financial Statements on pages 37 to 59 were approved by the Board of Management and authorised for issue on.....
and signed on its behalf by:

**Paul Hutchinson -
Chairing Member of the Board of Management --**

Alan Sherry - Acting Principal

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

STATEMENT OF CASH FLOWS

	Year ended 31st July 2022	Year ended 31st July 2021
	£000	£000
Net cash inflow from operating activities		
(Deficit)/surplus for the financial year	(1,204)	356
Adjustments for:		
Depreciation of tangible assets	1,306	1,062
(Decrease)/Increase in creditors due within one year	(172)	631
(Increase) in debtors	(220)	(615)
Interest payable	90	109
Amortisation of deferred capital grants	(776)	(800)
Early retirement pension payments	(32)	(33)
Interest receivable	(1)	-
Pension cost less contributions payable	1,163	878
Cash from operations	154	1,588
Income taxes paid	-	-
Net cash generated from operating activities	154	1,588
Cash flows from investing activities		
Interest received	1	-
Purchases of tangible fixed assets	(871)	(1,062)
Net cash flows from investing activities	(870)	(1,062)
Cash flows from financing activities		
Interest paid	(1)	(1)
Government capital grants received	872	1,020
Net cash flow from financing activities	871	1,019
Net increase in cash and cash equivalents	155	1,545
Cash and cash equivalents at the beginning of the year	3,473	1,928
Cash and cash equivalents at the end of the year	3,628	3,473

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

1. SCOTTISH FUNDING COUNCIL GRANTS

	Year ended 31st July 2022	Year ended 31st July 2021
	£000	£000
SFC recurrent grant	14,152	13,890
SFC non recurrent grants - other	356	334
Release of government capital grants	677	690
FE and HE Childcare	393	410
Total	15,578	15,324

Note 17

2. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31st July 2022	Year ended 31st July 2022
	£000	£000
UK Higher Education students	1,039	1,362
Non EU Higher Education students	16	51
UK Further Education students	1,580	1,158
SDS contracts	484	554
Other contracts	200	184
Total	3,319	3,309

3. OTHER INCOME

	Year ended 31st July 2022	Year ended 31st July 2022
	£000	£000
Other revenue grants	80	158
Other income	57	90
Release of ERDF deferred capital grant	99	110
Total	236	358

Note 17

4. INVESTMENT INCOME

	Year ended 31st July 2022	Year ended 31st July 2021
	£000	£000
Bank interest received	1	-

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

5. STAFF

The average weekly number of persons (including senior post holders) employed by the College during the year, expressed as full time equivalents was;

	Year ended 31st July 2022 <i>Number</i>	Year ended 31st July 2021 <i>Number</i>
Teaching departments	144	140
Teaching services	61	58
Administration and central services	45	47
Premises	27	29
Other support services	7	7
Total	284	281

Analysed as:

Staff on permanent contracts	266	257
Staff on temporary contracts	18	24
Total	284	281

Staff costs for the above persons:

	Year ended 31st July 2022 <i>£000</i>	Year ended 31st July 2021 <i>£000</i>
Wages and salaries	10,501	10,291
Social security costs	1,028	952
Other pension expense - Employer contributions	2,033	1,977
Staffing costs prior to FRS102 pensions adjustment	13,562	13,220
FRS 102 pensions adjustment	1,163	878
Total	14,725	14,098

Teaching departments	8,093	7,944
Teaching services	2,072	1,795
Administration and central services	2,305	2,429
Premises	838	807
Other support services	254	245
	13,562	13,220
FRS 102 pensions adjustment	1,163	878
Total	14,725	14,098

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

5. STAFF (continued)

Indexation

Calculations on future pension increases are linked to the Consumer Price Index (CPI).

Salary award

The College has subscribed to the national collective bargaining arrangements in Scotland which cover support staff and lecturing staff, other than those outwith the scope of the agreement. Awards were made to support staff and lecturing staff for the years from 1st September 2021 in line with the agreements reached by the National Joint Negotiating Committee during the year. All awards have been accounted for in the financial year to 31st July 2022.

Ex-members of staff who receive pensions via the College's payroll received the statutory increase as per the instruction from SPPA.

Overseas travel

The cost of overseas travel undertaken by College staff in the year was £0k (2021: £0k).

Analysis of Staff Costs:

	Year ended 31st July 2022 £000	Year ended 31st July 2021 £000
Staff on permanent contracts	12,935	12,280
Staff on temporary contracts	627	940
	<u>13,562</u>	<u>13,220</u>
FRS 102 pensions adjustment	1,163	878
Total	<u><u>14,725</u></u>	<u><u>14,098</u></u>

6. SENIOR POSTHOLDERS' EMOLUMENTS

Emoluments of the Board of Management

The members of the Board of Management, other than the Principal and 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.

Emoluments of Key Management Personnel

The Principal and Acting Principals were the only employees deemed to fall under the definition of "key management personnel" in last year's accounts. This year, the Depute Principal has been added to this definition and their salary has been added to the table below for both years, with the salaries also reflecting this change in definition. This is reflected in the analysis contained within the Remuneration and Staff Report.

	Year ended 31st July 2022 £000	Year ended 31st July 2021 £000
The number of postholders during the year were as follows:	3	2
<i>For the purpose of the Note, it has been assumed that there have been two postholders deemed "Principal" in 2021/22.</i>		
Remuneration	294	207
Benefits in kind	-	-
	<u>294</u>	<u>207</u>
Employer's pension contributions	<u>49</u>	<u>48</u>

The disclosure represents the salary of the Principal, the two Acting Principals and the Depute Principal for the year. The Remuneration and Staff Report provides details for each of the post-holders during the year.

The Principal and Depute Principal are ordinary members of the Scottish Teachers' Superannuation Scheme. The College's contribution to the Scheme is paid at the same percentage rate as for other members of academic staff. Neither of the Acting Principals were members of the Scheme and no pension contributions were paid by the College in respect of their employment.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

6. SENIOR POSTHOLDERS' EMOLUMENTS (continued)

Emoluments of higher paid members of staff

The number of higher paid staff, including the Principal, who received emoluments in excess of £60,000 excluding pension contributions but including benefits in kind were in the following ranges :

	Year ended 31st July 2022 Number	Year ended 31st July 2021 Number
£60,001 to £70,000	2	3
£70,001 to £80,000	3	2
£80,001 to £90,000	1	-
£90,001 to £100,000	-	-
£120,001 to £130,000	1	1
	<u>7</u>	<u>6</u>

The above figures for 2020/21 do not include either of the Acting Principals due to the length of their appointments.

The above comparative figures do not include the current Depute Principal who took up her post part-way through the year in December 2020.

Six of the 2021/22 employees are members of the College Senior Leadership Team, with the other being a manager outwith the Senior Leadership Team.

Emoluments of these higher paid members of staff (excluding each of the Acting Principals; comparatives exclude Depute Principal) (for the academic year to 31 July)

	£000	£000
Salaries	571	479
Pensions contributions	115	108
Total emoluments	<u>686</u>	<u>587</u>

7. OTHER OPERATING EXPENSES

	Year ended 31st July 2022 £000	Year ended 31st July 2021 £000
Teaching departments	788	720
Teaching support	325	243
Administration and central services	977	810
Premises	1,039	1,029
Other expenses	195	154
FE and HE Childcare	393	410
Total	<u>3,717</u>	<u>3,366</u>

Administration and central services include:

	£000	£000
Rentals under operating leases - equipment	75	98
Auditors' Remuneration (including irrecoverable VAT)		
- Internal audit	24	37
- External audit *	23	34*

* Additional charge incorporated in 2021 being £15k

Included in other operating expenses above are agency staff costs of £135k (2021: £116k) and Administration includes £322k (2021: Nil) in respect of investigation expenses.

8. TRANSFER TO THE COLLEGE FOUNDATION

During the year, the College made a transfer of £500k to the South Lanarkshire College Foundation. The transfer was approved by the Board of Management and SFC have been notified.

9. INTEREST PAYABLE

	Year ended 31st July 2022 £000	Year ended 31st July 2021 £000
Bank interest	1	1
Net charge on pension scheme liabilities	Note 18 101	108
Early retirement provision adjustment	Note 18 (12)	-
Total	<u>90</u>	<u>109</u>

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

10. FIXED ASSETS

	Land £000	Buildings £000	Eco- House £000	Furniture & Fittings £000	Computer Equipment £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
Cost or valuation:								
At 1st August 2021	2,710	47,605	136	459	1,535	2,496	40	54,981
Additions	-	698	-	-	160	13	-	871
Revaluation	-	-	-	-	-	-	-	-
At 31st July 2022	2,710	48,303	136	459	1,695	2,509	40	55,852
Depreciation:								
At 1st August 2021	-	-	-	400	1,055	2,082	40	3,577
Provided during the period	-	949	5	23	245	84	-	1,306
Eliminated on revaluation	-	-	-	-	-	-	-	-
At 31st July 2022	-	949	5	423	1,300	2,166	40	4,883

Net Book Value

At 31st July 2022	2,710	47,354	131	36	395	343	-	50,969
At 1 August 2021	2,710	47,605	136	59	480	414	-	51,404

Net book value of assets financed by:

SFC grants	2,389	33,758	131	36	372	267	-	36,953
EU capital grants	254	3,945	-	-	-	-	-	4,199
	2,643	37,703	131	36	372	267	-	41,152
Own funds	67	9,902	-	-	23	76	-	9,817
At 31st July 2022	2,710	47,354	131	36	395	343	-	50,969

The Net Book Values of the above assets should they still be shown at cost would be:

	934	25,441	131	36	395	343	-	27,280
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Land and buildings were independently valued as at 31 July 2021 for the purposes of the financial statements by external valuers Ryden LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of RICS Valuation - Global Standards (The Red Book), January 2020 edition as published by the Royal Institution of Chartered Surveyors (RICS) and FRS 102. The valuation was undertaken on a fair value basis, with specialised properties valued by reference to depreciated replacement cost.

If land and buildings financed by exchequer funds are disposed of, the College may be required, under the terms of the Financial Memorandum to surrender the proceeds to SFC.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

11. TAXATION

The Board does not believe that the College is liable for any Corporation Tax arising out of its activities during the years ended 31st July 2021 and 31st July 2022.

12. STOCKS

	As at 31st July 2022 £000	As at 31st July 2021 £000
Stocks for resale	4	4
Other stocks	4	4
Total	<u>8</u>	<u>8</u>

13. TRADE AND OTHER RECEIVABLES

	As at 31st July 2022 £000	As at 31st July 2021 £000
Trade receivables	19	330
Other receivables	14	12
European funding	226	379
Prepayments and accrued income	1,673	991
Total	<u>1,932</u>	<u>1,712</u>

14. CREDITORS - Amounts falling due within one year

	As at 31st July 2022 £000	As at 31st July 2021 £000
Bank overdraft	-	-
Trade payables	39	120
Other taxes and social security costs	3	-
Other payables	7	9
Deferred income - restricted	185	400
Deferred income - Government capital grants (see note 17)	759	808
Accruals	2,129	1,707
Bursaries and Access funds for future disbursement or return to SFC	151	450
Total	<u>3,273</u>	<u>3,494</u>

SFC make non-recurrent grants to the College with restrictions on use. These are generally in respect of estates and maintenance requirements. The College has carried forward an element of this allocation and it is shown within "Deferred income - restricted" above and will be used for future projects.

15. CREDITORS - Amounts falling due after one year

	As at 31st July 2022 £000	As at 31st July 2021 £000
Deferred income - Government capital grants (see note 17)	22,900	22,755
Total	<u>22,900</u>	<u>22,755</u>

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

16. PROVISIONS FOR LIABILITIES

Pensions costs arising from early retirements in prior years

	Year ended 31st July 2022 £000	Year ended 31st July 2021 £000
At 1 August 2021	444	472
(Credited)/charged to SOCIE	(12)	5
Expenditure during the year	(32)	(33)
At 31st July 2022	<u>400</u>	<u>444</u>

This provision is in respect of future pension liabilities arising from early retirements in prior years. The pension liability has been revalued using actuarial tables supplied by SFC. The net interest rate applied was 0% (2020: 0%).

17. DEFERRED INCOME - GOVERNMENT CAPITAL GRANTS

	£000
At 1st August 2021	23,563
Additional grants	872
Release to Income and Expenditure Account	(776)
At 31st July 2022	<u>23,659</u>
Disclosed as follows;	
Amount falling due within one year	759
Amount falling due after one year	22,900
	<u>23,659</u>
Source of Deferred Capital Grant	
Sourced from SFC	19,558
ERDF Grant	4,101
Total	<u>23,659</u>
Analysis of Release	
Funded via SFC Grants & capital contributions	Note 1 677
Funded via ERDF Grants	Note 3 99
	<u>776</u>

Capital funding received from SFC which is used to purchase capital assets is recorded as Government Capital Grants. Grants are then amortised at the same rate as the depreciation rate which is being applied to the relevant assets. Monies received from the European Union (EU) in the form of European Regional Development Fund grants have been treated similarly.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

18. PENSIONS

The two principal pension schemes for the College's staff are the Teachers' Superannuation Scheme (Scotland), "STSS", which is operated by the Scottish Public Pensions Agency, and the Local Government Superannuation Scheme, "SPF". Both STSS and SPF are defined benefit schemes, with STSS providing benefits for teaching staff and SPF providing benefits for other staff of the College.

For support staff, the contribution payable by the College throughout the financial year to 31 July 2022 was 19.3% of pensionable salary. Support staff contribution rates were in a range of between 5.5% and 12.0% depending upon salary and terms and conditions of service. The same rates were in place for the previous financial year.

For lecturing staff, the contribution payable by the College is 23% of pensionable salaries. Employee contribution rates for lecturing staff are based upon a system of tiered contributions ranging from 7.2% to 11.9%, depending upon salary level.

The total employer pension payments for the College were:	year ended 31st July 2022 £000	year ended 31st July 2021 £000
Contributions to STSS	1,459	1,418
Contributions to SPF	574	559
	<u>2,033</u>	<u>1,977</u>

The analysis of all amounts charged to the Statement of Comprehensive Income (SOC1) is shown below:

	year ended 31st July 2022 £000	year ended 31st July 2021 £000
Charged to staff costs		
Current service costs	1,723	1,435
Past service costs	-	-
Total charged to staff costs	<u>1,723</u>	<u>1,435</u>
Credit/(charge) for net return on pension scheme		
Interest income	(288)	(204)
Interest cost	389	312
Early retirement provision adjustment	(12)	-
Net interest charged	89	108
(Credit)/charge to other comprehensive income		
Return on assets	107	(3,017)
Changes in demographic assumptions	(101)	(451)
Other experience	45	(772)
Gains and losses arising on changes in financial assumptions	(9,454)	2,113
Actuarial (gain)	<u>(9,403)</u>	<u>(2,127)</u>
Total (credit) to the SOCIE	<u>(7,591)</u>	<u>(584)</u>

Scottish Teachers' Superannuation Scheme

South Lanarkshire College participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation has recently concluded and was based on data as at 31 March 2016 and has set contribution rates from 1 September 2019 to 31 March 2023. The next revision to the employer rate is expected to take effect from 1 April 2023.

The College has no liability for other employers obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. The scheme has been treated for accounting purposes as a defined contribution scheme as the College is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate was set at 23% of pensionable pay from 1 September 2019; it was previously 17.2%. While the employee rate applied is a variable, it will provide an actuarial yield of 9.6% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.3% of employers pension contributions for fifteen years from 1 April 2019, although the increase was not implemented until 1 September 2019. This contribution is included in the 23% employers' contribution rate.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

18. PENSIONS (continued)

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2020 were £818 million. South Lanarkshire College level of participation in the scheme is 0.2% based on the proportion of employer contributions paid in 2019/20. This is the latest such information we have on the scheme.

Local Government Superannuation Scheme

The College participates in the Strathclyde Pension Fund, which is a funded defined benefit pension scheme where contributions payable are held in a trust separately from the College.

The main results and assumptions of the most recent valuation of the Strathclyde Pension Fund are as follows:

Valuation date	31st March 2020
Valuation method	Projected Unit Method
Market value of the assets at the date of the formal valuation	£20,941 million
Past service liabilities	£19,744 million
Surplus	£1,197 million
Funding level	106%
	Funding basis (% pa)
Discount rate: post-retirement	3.30%
Discount rate: pre-retirement	3.70%
Salary scale increases per annum	2.60%
Benefit increase assumption (CPI)	1.90%

An actuarial valuation of the Fund is carried out every three years.

Disclosures under FRS 102 of Defined Benefit Scheme

The following disclosures are required under FRS 102.

The valuation was updated by the actuary on an FRS 102 basis as at 31st July 2022 and 31 July 2021 and the major assumptions used in the valuation and the updates were:

	Update at 31 July 2022	Update at 31 July 2021
Inflation / pension increase rate	2.75%	2.85%
Salary increases	3.45%	3.55%
Discount rate	3.50%	1.60%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male years	Female years
Current pensioners	19.6	22.4
Future pensioners	21.0	24.5

Life expectancies for the prior period end are based on the Fund's 2017 valuation VitaCurves. The allowance for future improvements are in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The valuations at 31 July 2022 have been prepared by Hymans Robertson LLP.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

18. PENSIONS (continued)

The movement in the funded part of the net pension liability for the year ended 31 July 2022 was as follows:

	Year ended 31 July 2022		
			Net (Liability)/
	Assets	Obligations	Asset
	£000	£000	£000
Fair value of employer assets	17,788	-	17,788
Present value of funded liabilities	-	(23,536)	(23,536)
Opening position as at 1 August 2021	17,788	(23,536)	(5,748)
Current service cost	-	(1,723)	(1,723)
Past service cost (including curtailments)	-	-	-
Total service cost	-	(1,723)	(1,723)
Interest income on plan assets	288	-	288
Interest cost on defined benefit obligation	-	(389)	(389)
Total net interest	288	(389)	(101)
Total defined benefit cost recognised in SOCIE	288	(2,112)	(1,824)
Employee contributions	171	(171)	-
Employer contributions	560	-	560
Benefits paid	(281)	281	-
Total cash flows	450	110	560
Expected closing position	18,526	(25,538)	(7,012)
Changes in demographic assumptions	-	101	101
Changes in financial assumptions	-	9,454	9,454
Other experience	-	(45)	(45)
Return on assets excluding amounts included in net interest	(107)	-	(107)
Total remeasurements in other comprehensive income	(107)	9,510	9,403
Fair value of plan assets	18,419	-	18,419
Present value of funded liabilities	-	(16,028)	(16,028)
Closing position as at 31 July 2022	18,419	(16,028)	2,391

Information about the defined benefit obligation

	Liability split at 31 July 2022		Weighted average duration
	£000	%	at last formal valuation *
Active members	10,867	67.8%	24.4
Deferred members	2,014	12.6%	25.6
Pensioner members	3,147	19.6%	11.7
Total	16,028	100.0%	21.7

* as at 31 March 2020

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

18. PENSIONS (continued)

The movement in the funded part of the net pension liability for the year ended 31 July 2021 was as follows:

	Year ended 31 July 2021		
			Net (Liability)/
	Assets	Obligations	Asset
	£000	£000	£000
Fair value of employer assets	14,386	-	14,386
Present value of funded liabilities	-	(21,280)	(21,280)
Opening position as at 1 August 2020	14,386	(21,280)	(6,894)
Current service cost	-	(1,435)	(1,435)
Past service cost (including curtailments)	-	-	-
Total service cost	-	(1,435)	(1,435)
Interest income on plan assets	204	-	204
Interest cost on defined benefit obligation	-	(307)	(307)
Total net interest	204	(307)	(103)
Total defined benefit cost recognised in SOCIE	204	(1,742)	(1,538)
Employee contributions	171	(171)	-
Employer contributions	557	-	557
Benefits paid	(278)	278	-
Total cash flows	450	107	557
Expected closing position	15,040	(22,915)	(7,875)
Changes in demographic assumptions	-	451	451
Changes in financial assumptions	-	(2,113)	(2,113)
Other experience	(269)	1,041	772
Return on assets excluding amounts included in net interest	3,017	-	3,017
Total remeasurements in other comprehensive income	2,748	(621)	2,127
Fair value of plan assets	17,788	-	17,788
Present value of funded liabilities	-	(23,536)	(23,536)
Closing position as at 31 July 2021	17,788	(23,536)	(5,748)

Projected defined benefit cost for the year to 31 July 2023

	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% of pay
Projected current service cost	-	(853)	(853)	(29.4%)
Interest income on plan assets	651	-	651	22.4%
Interest cost on defined benefit obligations	-	(573)	(573)	(19.8%)
Total included in SOCIE	651	(1,426)	(775)	(26.8%)

The valuation estimates that the Employer's contribution for the year to 31 July 2023 will be approx. £560,000.

The above figures should be treated as estimates and may need to be adjusted to take account of:

- * any material events such as curtailments, settlements or the employers discontinuance of the employers participation in the Fund;
- * any changes to accounting practices;
- * any changes to the Scheme benefit or member contribution rates; and/or
- * any full funding valuation that may be carried out on the employers behalf.

The monetary amount of the projected service cost for the year to 31 July 2021 may be adjusted to take account of actual pensionable payroll for the year.

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2022	Approximate % increase to Employer Liability	Approximate monetary impact (£000)
0.1% decrease in real discount rate	2%	363
1 year increase in member life expectancy	4%	641
0.1% increase in the salary increase rate	0%	33
0.1% increase in pension increase rate	2%	331

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

18. PENSIONS (continued)

McCloud ruling

When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England & Wales as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

In the prior year, the Strathclyde Pension Fund's actuary adjusted GAD's estimate to better reflect local assumptions and circumstances, particularly those for employer level salary increases and Fund level withdrawal rates. The revised estimate resulted in an increase to the liabilities (shown as a past service cost of £227,000 within the 31 July 2019 disclosures). No further adjustment was made for the McCloud ruling in the 31 July 2021 or 31 July 2022 disclosures.

Guaranteed Minimum Pension (GMP)

Guaranteed minimum pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimated impact of GMP indexation was included in 2019 as an £11,000 increase to the past service cost and we continue to carry this element within our balance sheet in the year to 31 July 2022.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

19. ANALYSIS OF CHANGES IN NET FUNDS

	At 1st August 2021 £000	Cash Flows £000	Other Changes £000	At 31st July 2022 £000
Cash in hand and at bank	3,473	155	-	3,628
Bank overdraft	-	-	-	-
Total	3,473	155	-	3,628

20. LEASE OBLIGATIONS

Total rentals payable for equipment under operating leases

	year ended 31 July 2022 £000	year ended 31 July 2021 £000
Future minimum lease payments due		
Within one year	60	27
Between 1 and 5 years	53	-
	<u>113</u>	<u>27</u>

21. CAPITAL COMMITMENTS

There were no capital commitments at the year end or at the prior year end.

22. CONTINGENT LIABILITIES

There were no contingent liabilities at the year end or at the prior year end.

23. POST BALANCE SHEET EVENTS

Investigations into governance matters commenced in January 2022 and concluded in January 2023. At a Board meeting held on 16 January 2023, the Principal, who had been suspended for the duration of the investigation, was dismissed on the grounds of gross misconduct.

24. ACCOUNTING ESTIMATES AND JUDGEMENTS

With the College accounting reference date reflecting the end of the academic year, there are very few estimates and judgements impacting upon the financial statements. There is very little teaching activity spanning the year end and the College is not involved in research activity. Funding from SFC is normally in respect of the academic year to 31 July. Stock is estimated at a nominal figure of £8k with all academic purchasing being held back until August and the start of the new academic year. A small provision for bad debts is adjusted annually based upon the profile of the relevant debtors.

The quantification of the final salary pension scheme also involves assumptions and judgements as detailed in note 18. We take guidance from SFC and Hymans Robertson LLP when setting assumptions and the actuarial valuation of the Strathclyde Pension Fund liability is produced for the College by an actuary from Hymans Robertson LLP.

Depreciation rates are subjective but are in line with sector norms. Rates are approved by the Finance and Resources Committee following advice from the Head of Estates. Impairment of fixed assets is considered each year and we do not view that there is an issue, particularly given the level of general maintenance that is undertaken.

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2022

Notes to the Financial Statements

25. RELATED PARTY TRANSACTIONS

The Board of Management of South Lanarkshire College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Government and subsequently the Scottish Further Education Funding Council until it merged to form a part of the Scottish Funding Council (SFC). The Chair of the College's Board of Management is a Board Member of the SFC, however he is not deemed to have control over the SFC.

The Scottish Government is regarded as a related party. During the year South Lanarkshire College had various material transactions with the Scottish Government and with other entities for which it is regarded as the sponsor department viz: SFC, Students Awards Agency for Scotland, Scottish Enterprise, an extensive range of agencies funded by South Lanarkshire Council (including Routes to Work South, Childcare Partnership, Regeneration Outcome Agreement, Adult Literacy and Numeracy Initiatives) and a number of other colleges and higher education institutions.

The College's Board of Management is drawn from local public and private sector organisations and as such it is inevitable that transactions will take place with these organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the College's Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

The College had transactions during the year with the following non-public bodies in which members of the Board of Management have an interest and which in aggregate exceeded £5,000.

Member	Organisation	Position	Purchases in the year	Balance at 31 July 2022
Mr C McDowall	Anderson Strathern LLP	Partner	£5,374	£0

26. IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

Following reclassification, colleges receive what is termed a non-cash budget to cover depreciation. This non-cash budget cannot be recognised under the FE/HE SORP and has not been reflected in the Statement of Comprehensive Income and Expenditure. Had it been reflected, our results would have been as follows:

	year ended 31st July 2022 £000	year ended 31st July 2021 £000
(Deficit) / Surplus from SOCIE before other gains / (losses)	(1,204)	356
Add non cash budget to cover depreciation	197	197
(Deficit) / Surplus on Central Government accounting basis for academic year	<u>(1,007)</u>	<u>553</u>

SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

Notes to the Financial Statements

27. SUMMARY OF BURSARY AND OTHER STUDENT SUPPORT FUNDS

Funds received from Scottish Funding Council (SFC)

	2021/22						2020/21
	Bursaries	FE Childcare	FE Hardship	EMA	HE Childcare	SFC Total	SFC Total
	£000	£000	£000	£000	£000	£000	£000
Grants received in period	1,948	216	1,611	70	177	4,022	4,045
B/fwd from previous year	448	-	-	-	-	448	360
Clawbacks re previous years	(371)	-	-	-	-	(371)	(245)
Virements to NCL	-	-	-	-	-	-	-
Internal virements	-	-	-	-	-	-	-
Disbursements to students	(1,874)	(216)	(1,611)	(70)	(177)	(3,948)	(3,710)
Funds from College	-	-	-	-	-	-	-
C/fwd in Creditors - Note 14	151	-	-	-	-	151	450
Analysis							
Repayable to SFC	151	-	-	-	-	151	450
Retained for students	-	-	-	-	-	-	-
	151	-	-	-	-	151	450

Funds received from Student Awards Agency for Scotland (SAAS)

	2021/22		2020/21
	HE Hardship	SAAS Total	SAAS Total
	£000	£000	£000
Grants received in period	325	325	361
B/fwd from previous year	-	-	-
Clawbacks re previous years	-	-	-
Funds from College	17	17	15
Virements	-	-	-
Disbursements to students	(342)	(342)	(376)
Interest received	-	-	-
C/fwd in Creditors - Note 14	-	-	-
Analysis			
Repayable to SAAS	-	-	-
Retained for students	-	-	-
	-	-	-

These funds with the exception of FE and HE Childcare, represent grants made available which are available solely for the students, with the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.