



**South  
Lanarkshire  
College**

East Kilbride

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

**Report and Financial  
Statements for the Year  
Ended 31<sup>st</sup> July 2023**

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

# Content

## Welcome

Page

Statement from the Chairing Member of the Board of Management

3

## Performance Report

Performance Overview

4

Performance Analysis

13

Financial Performance

14

## Accountability Report

Corporate Governance Report

18

Directors Report

18

Statement of Board of Management's Responsibilities

19

Governance Statement

20

Remuneration and Staff Report

28

Independent Auditor's Report

36

## Financial Statements

Statement of Comprehensive Income

39

Statement of Changes in Reserves

40

Statement of Financial Position

41

Statement of Cash Flows

42

Notes to the Financial Statements

43

Appendix 1 – 2022-23 Accounts Direction for Scotland's colleges

61

### Bankers:

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### Legal Advisors:

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### Internal Auditors:

Azets (until October 2022)  
The Reel House  
7 West Regent Street  
Glasgow, G2 1RW

Henderson Loggie (from November 2022)  
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### Independent External Auditor:

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4th Floor, South Suite,  
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8 Nelson Mandela Place, Glasgow, G2 1BT

*The financial statements were approved and authorised for issue by the Board of Management on 5 December 2023*

## **Performance Overview 2022/2023**

### **Statement from the Chairing Member of the Board of Management**

The Board of Management at South Lanarkshire College is delighted that the College has maintained its reputation for delivering a high-quality learning experience for its student, as evidenced by Education Scotland. The Board have continued to be impressed by how all staff have continued to support their students and to witness how this success has become award winning. Staff and students have excelled in many areas, for example, being nominated for College Development Awards, in Community Learning and Sustainability, Apprentices being selected as finalists in national competitions in Roofing and Professional Cookery, whilst Photography students have had their work displayed in national exhibitions.

The academic year 2022/23 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 completion of a detailed Governance Improvement Plan which was signed off by the Lanarkshire Regional Strategic Body and now has in preparation a Rolling Review Programme which will further strengthen its corporate governance arrangements while providing appropriate strategic direction for the College. Audit Scotland have also recognised that the College took appropriate action during the year to improve governance and was compliant with the Code by 31 July 2022 and remains compliant as at the date of this Report.

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, had their contract terminated. The Interim Clerk to the Board had also been suspended during that period and he, also, had his contract terminated 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.

After a robust recruitment process, a new Principal and Chief Executive was appointed on 3 April 2023. The Board of Management look forward to working with the Principal to set the new strategic direction for the College.

In particularly testing times, the College has for the first time returned a deficit of £1,023K. The Board, however, is aware that the Scottish Government's spending plans for the coming four 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's focus on equality and inclusion has continued with action taken through expanding mental health support. The College has also worked tirelessly to support actions which address gender-based violence and as a result is one of the first colleges in the UK to be awarded the Emily Test Charter. 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 relationship with New College Lanarkshire has continued to develop positively, and, whilst, both Boards have agreed that dissolution is the right solution for Lanarkshire, both recognise that a collaborative working relationship is required to meet the needs of the communities the colleges serve. 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**

07 December 2023

## **Performance Overview 2022/2023**

### **Introduction**

The purpose of this Performance Overview for session 2022/23 is to provide summary information in the respect of the College, its strategy, objectives and the perceived risks that it faces. This section also provides a high-level performance summary is analysed further in the Performance Report.

### **Principal's Review of 2022/23**

#### *Strategic Framework*

The College published its Strategic Framework entitled “*Delivering Excellence*” in August 2019 for the period to July 2025 which can be found [here](#). 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

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 2022/23 and while the pandemic has clearly had lasting effects at South Lanarkshire, as well as across the sector, students have continued to achieve well;
- Sound financial controls, and new approaches to improvement, leading to continuing financial stability;
- A series of both curriculum awards for community engagement, sustainability, innovation, inclusivity and diversity;
- Continues to meet key targets for carbon management;
- Secure re-accreditation as a Disability Confident Employer;
- Retained the Investors in People accreditation;
- Achieved We Invest in Well Being Platinum accreditation; and
- Positive and satisfactory report received from His Majesty's Inspectorate of Education (HMIE) Annual Engagement Visit in March 2023, which noted no actions for development.

The reduction in Scottish Government funding forecast for the college sector over the coming four years has required the Board to consider a range of innovative approaches as it seeks to maintain financial sustainability, amidst a challenging operating environment. In 2022-23 the Adjusted Operating Position was a deficit of £253k which demonstrates the impact of the funding reductions.

The Scottish college sector faces significant uncertainty in the immediate and near future particularly because of the impact of overall financial restraints 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 Table 1 on page 11, except for 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%.

In 2021/22 the credit allocation once again increased to 50,435, a 2.5% increase on the prior year. However, the credit allocation for the College in 2022/23 is 48,812, a decrease of 3%; the equivalent decrease for the sector is 4%. For academic year 2023/24 colleges are receiving a 10% reduction in their learning activity, however, for the Lanarkshire region this is 10.75%. The credit target for 2023/24 is 43,601 a further reduction of 5,211 credits from 2022/23, due to the region not meeting its overall target. It should be noted that South Lanarkshire College has met its core funding targets for the past 10 years.

The College has an excellent reputation for being a financially well-managed institution and staff teams are commended for their concerted efforts in delivering the credit target for the year, whilst also identifying more efficient ways of

**Performance Overview 2022/2023**

working. This work will continue into the 2023/24 academic year as the College seeks to diversify income streams, to maintain its financial sustainability and solvency, and continue to strive to offer an outstanding learning environment for the students and communities.

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. 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 a revised approach to control and assurance arrangements within the College, which are 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.

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.

During the year, the College responded pro-actively to recommendations to improve further control measures and corporate governance, and it was pleasing to see the completion of the Governance Improvement Plan. The Board now has a Governance Rolling Review which will continue to strengthen these aspects of the work of the College.

In academic year 2022/23 the College invested £1.6 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.

**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 SOCI 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:

	<b>2022/23</b>	<b>2021/22</b>
	£000	£000
<b>Fixed budget for priorities</b>	<u>197</u>	<u>197</u>
<i>Revenue priorities</i>		
Estates costs	<u>197</u>	<u>197</u>
<b>Total priorities spend</b>	<u><b>197</b></u>	<u><b>197</b></u>

**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.

	<b>Year ended</b>	<b>Year ended</b>
	<b>31 July 2023</b>	<b>31 July 2022</b>
	£000	£000
<b>(Deficit)/surplus from SOCI before other gains / (losses)</b>	(1,023)	(1,204)
<b>Add</b> depreciation (net of deferred capital grant)	628	530
non-cash pension adjustment - net service cost	315	1,163
non-cash pension adjustment - net interest (income)/cost	(79)	101
non-cash pension adjustment - early retirement provision	(94)	(12)
Donation to Foundation	-	500
<b>Adjusted operating surplus/(deficit)</b>	<u><b>(253)</b></u>	<u><b>1,078</b></u>

## **Performance Overview 2022/2023**

### ***Learning and Teaching***

During 2022/23, South Lanarkshire College provided academic, vocational, and technical programmes to circa 6,000 students, the majority of which were drawn from our local communities of South Lanarkshire, followed by Glasgow and North Lanarkshire. The College provides a learning environment where students are equipped with the specific skills required to progress onto their chosen destinations. In addition, students are supported to reflect on their skills and can build on developing, cultivating, and executing other skills required for 21st century society.

The 360 members of staff at the College work tirelessly to support students and their efforts have been recognised through national awards both for themselves and their students. Their professionalism and commitment to students is inspiring and they have an unrelenting focus on ensuring the success of their students. There is now a strong Student Association which ensures that students voices are heard and active participants in their learning.

In accordance with Scottish Government Policy, the College has continued to deliver its Childcare provision and has further extended its progression pathway options to degree level study. The College currently offers 4 Higher National Certificate (HNC) classes in Childhood Practice, 1 Higher National Diploma (HND) Childhood Practice, and 2 groups of Professional Development Awards (PDA) Childhood Practice at Level 8. It has also continued to deliver its STEM provision due to sustained demand in science curriculum with a strong focus on encouraging women into science where 83% of enrolments are female, and men into childcare which continues to be a challenge.

The College is proactive in serving the needs of the local communities and works with Community Learning Development teams to provide progression pathways onto mainstream college courses. 48% of students reside in the areas which are, according to the Scottish Index of Multiple Deprivation (SIMD) in the 5%, 10% and 20% most deprived in Scotland. Students and staff members work collectively supporting communities through various projects, volunteering, and fundraising.

South Lanarkshire is the fifth largest local authority by population in Scotland and has a high employment rate for 16–64-year-olds of 79.8%, which is 5.4% higher than national rates, therefore the College continues to support economic development of the area and the Greater Glasgow Region working with South Lanarkshire Council, business representative bodies, colleges across the west of Scotland and directly with employers.

In South Lanarkshire even though employment is at a high of 78.2% there are still challenges that the College has to be mindful of when planning the curriculum offer.

- there has been a decrease in the number of young people in South Lanarkshire, and school leavers progress predominately on to higher education courses if they choose to continue their studies. There has been a 5% decrease in school leavers entering FE across Scotland in between 2019-20 and 2020-21;
- UK universities have been hit by a 40% fall in EU students since Brexit, highlighting the pressure on universities to look at the UK market more than ever before to meet targets. This is impacting directly on colleges. Especially with regard to Higher National provision;
- micro and small business enterprises make up 98% of the businesses in the area;
- more widely across the UK, skills gaps are felt more acutely in a number of key sectors. In the NHS, 10% of vacancies go unfilled; and
- people have different preferences when it comes to how they like to learn. More than a quarter (26%) want to do so in a way that fits into their own schedule according to the Future of Education report.

The College started to address these challenges by implementing a revised curriculum planning process for 2022/23 supporting and encouraging curriculum teams to review their areas considering up to date labour market information and other operational data. This resulted in the removal of 14 Higher National qualifications as part of its move towards diversifying the curriculum offer and ensuring the College is strategically placed to meet the National Strategy for Economic Transformation. This work will continue in 2023/24 with a comprehensive deep dive into the curriculum to ensure that the future changes and strategic priorities will support the long-term sustainability of the organisation while meeting the needs of the communities the College serves.

His Majesty's Inspectorate of Education Annual Engagement Visit (AEV) Report took place in March 2023. Annual Engagement Visits (AEVs) are planned collaboratively between the College, HM Inspectors, and the Scottish Funding

### **Performance Overview 2022/2023**

Council (SFC). The AEV visit focussed on the following areas: Recruitment, Retention, Attainment, and Progression. Then under these headings the following sub areas were considered:

- learner progress and outcomes;
- curriculum, learning, teaching and assessment;
- services to support learning;
- learner engagement; and
- evaluation to facilitate improvement.

The report highlighted areas of good practice which include:

- Partnership working with external stakeholders and staff involved in the delivery of ESOL provision, has significantly increased the recruitment of learners whose first language is not English.
- All teaching departments work responsively and flexibly to meet the needs of employers and local communities. This has increased the levels of recruitment to part-time FE programmes and Modern Apprenticeships.
- The overall rate of attainment for part-time FE learners is high and is 3% above the sector norm.
- The overall rate of attainment for HE learners is high and above sector norm.
- All curriculum teams make effective use of labour market intelligence (LMI), employer feedback and information from secondary schools to plan and adjust programmes to meet the needs of learners.
- Curriculum managers have autonomy to design curriculum flexibly and ensure that programmes align with the requirements of learners and key stakeholders. They adjust programmes promptly to respond to changing needs.
- Learner feedback is used effectively by staff to inform and influence the redesign of college services including the college website and admission arrangements.
- Staff are making effective use of college data systems to better target support for learners that have protected characteristics or are experiencing hardship.

HMIe reported that the College had made significant progress against the actions identified at the progress visit in February 2022 and stated that the College had in fact moved beyond these, in particular they could now see the results of the processes implemented. There were no main points for action identified.

The College is pleased to report that, despite the challenges presented, the destinations from 2020-21 (the latest information available) showed that 87.8% of leavers in SLC confirmed their destinations in follow-up surveys. Of those who confirmed, 96.4% from SLC were in positive destinations. This is 3.2% higher than the previous year. More information on college sector destinations can be found [here](#).<sup>1</sup> Please note that destination data for 2021-22 is due for publication in November 2023.

#### **Student Voice**

The College is proud of the contribution that students make to their own learning environment through the class representatives system and the Student Association. The Student Association is affiliated to the National Union of Students (NUS). It's led by an executive committee of elected representatives from across the student body. Their priorities are:

- empowering the student voice;
- supporting the wellbeing of students; and
- creating a fun learning environment

In 2022/23 the Students' Association (SA) contributed productively to events and activities to promote the College. This included participating in open days for local schools and producing and sharing short videos of student testimonials on social media to support recruitment of new students. These activities have enhanced the profile of the college.

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 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 provided free, healthy breakfasts for students and a soup and sandwich for lunch.

## **Performance Overview 2022/2023**

### ***Staff Voice***

The College's 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 times their annual salary.

The College has an established wellbeing framework which covers social, physical and psychological wellbeing. Some of the solutions that supports this include: classes in circuit training, yoga and mindfulness; chiropody service; mental health support including counselling, mental health first aiders, and various wellbeing support; financial support including a new staff discount for local and national businesses, staff saving & retirement options, and financial & legal advice; and various staff engagement and feedback sessions. The College was awarded Platinum level for the accreditation of We Invest in Wellbeing, in recognition of its wellbeing support for employees.

Equality, diversity and inclusion is at the heart of the College, ensuring inclusive learning environments for students and a workplace where all staff feel like they belong. As well as retaining the accreditation "Leader in Diversity", the College recognises equality in its strategic framework and across policies and procedures across the College. The College is currently working on four equality outcomes, which focus on: introducing additional peer support groups; engagement with expertise for under-represented groups; enhancing marketing and communication of equality; and training for students and staff. The College recently launched a nationally agreed Menopause Policy, and locally approved Attendance Management & Support Procedure which now includes Disability Special Leave and consideration for colleagues experiencing menopause symptoms. The Equality Group also approved setting up a Neurodiverse Working Group, to focus on the equality of opportunity for students and staff affected by neurodiverse conditions.

### ***Estates and Sustainable Behaviour***

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

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. This survey was delayed, and the final report was not received until May 2023. The survey showed that the fabric of the building is in very good condition, but there is some remedial work required to the external panels to ensure that the building remains weather tight. This work will take place over a three-year period.

The College also used capital funding to enhance the space within the College such as making all academic staff workrooms open plan and providing a much-improved working environment. It is hoped that further capital funding will continue to be made available to further support the programme of estates development and maintenance.

Targets have been set by the Scottish Government to reduce Scotland's emissions of all greenhouse gasses by 2045. These plans and targets are set out in the Climate Change: Net Zero Nation. [About Net Zero | Net Zero Nation](#). The Public Sector Leadership on the Global Climate Emergency document, [Public sector leadership on the global climate emergency: guidance - gov.scot \(www.gov.scot\)](#) published by the Scottish Government provides guidance to assist Public Sector Leaders on achieving net-zero.

The College's Climate Change Emergency Action Plan details South Lanarkshire College's commitment to achieving net-zero emissions by 2040 or earlier, by addressing the implications of climate change, promoting sustainable behaviors within the College community as well as to industry partners and stakeholders. This is in keeping with the UN Sustainable Development Goal 13: Affordable and Clean Energy.

**Performance Overview 2022/2023**

South Lanarkshire College has used the five elements of the Climate Action Roadmap for UK FE Colleges to develop the objectives and targets contained in the Climate Change Emergency Action Plan (CCEAP). The detail of these elements is set out below.

- Leadership and Governance: To provide a leadership and governance framework to ensure that the strategic aims and objectives of the college are implemented.
- Teaching and Learning: To promote and raise awareness that teaching and learning provides students and staff with the knowledge and understanding to achieve sustainable future.
- Estates and Operations: To establish base lines, against which targets can be set and measure the impact of the college’s estate-based activities.
- Partnerships and Engagements: To develop long term partnerships to share the challenges to and opportunities associated with achieve achieving the net-zero targets.
- Data Collection: To gain and have a clearer understanding of the carbon outputs of the college. This will allow the College to utilise the information to make changes on its journey to net zero.

Since the baseline year of 09/10 South Lanarkshire College has been highly successful and consistent in reducing its emissions despite the growth of the College footprint. The graphs demonstrate that the College has taken the necessary steps to reduce its electricity, gas and water consumption.

Chart 1: Electricity Usage

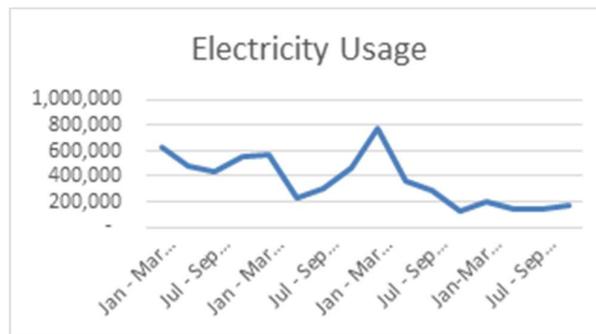


Chart 2: Gas Usage

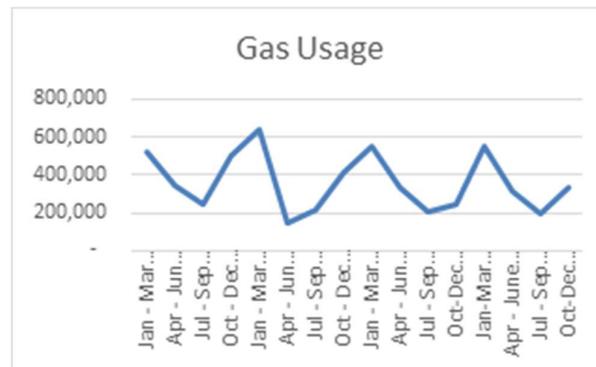
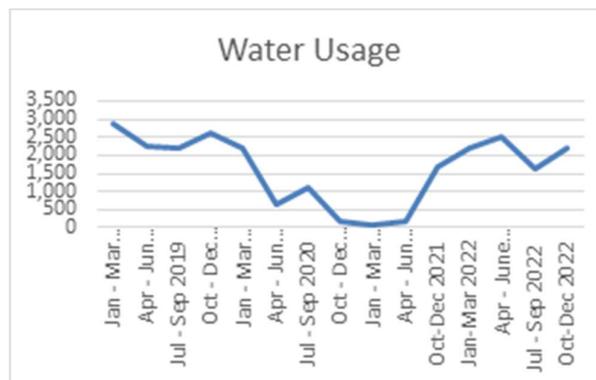


Chart 3: Water Usage

## Performance Overview 2022/2023



The College is compliant with its sustainability reporting in line with requirements of the Climate Change (Scotland) Act 2009 and provides an annual Public Sector Climate Change report to the Scottish Government in November of each year. In the baseline year of 2009/10, the College's carbon footprint was 3,306te CO<sub>2</sub>; for the year 2022/23, the College carbon footprint was 904 teCO<sub>2</sub>, which is a reduction of 132 teCO<sub>2</sub> from 2021-22.

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.

The College array of 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. In line with the College's efforts to help achieve net-zero, an additional 150Kwp (campus total 237Kwp) solar PV panels were added to the construction roof area successfully on time, under budget and completed on 31 March 2023. This was possible due to Scottish Government grant funding and all monies received. The installation of the new PV system will also offset approximately 120,000Kwh which will help support with energy costs.

### **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 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. Both South Lanarkshire and New College Lanarkshire Boards of Management have agreed that the way forward is dissolution and it is expected that the Scottish Funding Council will write to the Minister to provide further advice in due course. 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.

### **Financial Management**

#### **Going Concern**

The Board of Management has assessed and determined that the college is able 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. 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 credit target.

**SOUTH LANARKSHIRE COLLEGE**  
**Financial Statements for the year ended 31st July 2023**

**Performance Overview 2022/2023**

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 the robust curriculum planning process, 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 continue to be an area of particular focus in the coming year.

The College has exceeded its Core activity level target for each of the last ten years and 2022/23 is no different with the College achieving 48,843 credits, which is 31 credits over target. The College consistently meets its share of the Lanarkshire Regional overall target and has done so over a period of several years 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.

Table 1: The College's allocation of student activity in Credits from 2015/16 Onwards:

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
2022/23	48,590	0	0	48,590	222	48,812	48,843

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

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

**Risk Management**

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

1. The College cannot maintain financial stability;
2. There is a failure of financial controls;
3. There is a failure to meet credit target and/or failure to retain major public and private contracts;
4. There is a breach of legislation and associated regulations;
5. There are insufficient funds for capital project and maintenance requirements;
6. There is a failure to meet statutory and legislative health and safety and safeguarding requirements;
7. There is business interruption due to major disaster, IT failure etc.;
8. There is a theft of, or damage to, Management Information Systems (including cybercrime);
9. There is a failure to achieve standards of learning and teaching;
10. There is a failure to provide an engaging and effective employee journey;
11. There is a failure to safeguard the health and well being of staff and students;
12. There is a failure to provide a robust learning experience supporting students onto final destinations;
13. There is a failure of Corporate Governance arrangements;
14. There is a failure to protect the reputation of the College;
15. There is a failure to meet the Scottish Government net zero targets;

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.

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.

### **Performance Overview 2022/2023**

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 Chair of the Audit and Risk Committee at New College Lanarkshire attends the SLC Audit and Risk Committee. All committee and Board meetings have a section on risk and formal college meetings contain risk as a standing agenda item.

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 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, alongside robust approaches to curriculum planning and responding with agility to skills development opportunities.

To further support the Board in the move towards a reduced reliance on Scottish Funding Council funds, internal auditors delivered a risk appetite session based on the HM Treasury Guidance (Orange Book Risk Appetite Model) in May 2023.

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.

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.

**Performance Analysis 2022/2023**

**Performance Analysis Introduction 2022/23**

The Board has a strategy which sets out its overall objectives. This Strategy is supported by a framework of supporting strategies which together provide comprehensive strategic planning. These are linked to the Regional Outcome Agreement and to local and national skills priorities. This forms the basis for operational and financial planning. Performance is monitored routinely against these plans and is reported in detail to the Board of Management in the middle of the year and at the year end.

The College takes a holistic view of its performance, it recognises the importance of managing performance across all aspects of its activity, and regular progress reports were made to the Board on progress delivering the aims of the College's targets. These reported performance in numerical terms against a number of Key Performance Indicators (KPIs) and also made reference to a wide range of other information, reports and feedback to develop and improve its services. In addition to financial and student performance data, this includes quantitative and qualitative analysis of feedback from students, commendations and complaints, feedback from partners, employers and other service users.

**Academic Performance Indicators 2022/23**

**Table 1: Attainment Rates 2022-23**

Mode	Overall Enrolments	Enrolments After Withdrawals	No. Completed Successful	%	Completed Partial Success	%	Further Withdrawal	%	Early Withdrawal	%
FE FT	1,489	1,288	865	67.2	140	10.9	158	12.3	125	9.7
FE PT	3,364	3,104	2,763	89	133	4.3	90	2.9	64	2.1
HE FT	886	791	553	69.9	95	12	90	11.4	52	6.6
HE PT	337	297	203	68.4	52	17.5	13	4.4	24	8.1
<b>Overall</b>	<b>6,076</b>	<b>5,480</b>	<b>4,384</b>	<b>80</b>	<b>420</b>	<b>7.7</b>	<b>351</b>	<b>6.4</b>	<b>265</b>	<b>4.8</b>

**Table 2: Retention 2022-23**

Mode	Overall Enrolments	Enrolments After Withdrawals	Retention	%
FE FT	1,489	1,288	1,005	78
FE PT	3,364	3,104	2,948	95
HE FT	886	791	649	82
HE PT	337	203	260	68.4
<b>Overall</b>	<b>6,076</b>	<b>5,480</b>	<b>4,863</b>	<b>88.8</b>

The College has always reported consistently excellent attainment rates, and, despite the social and economic challenges faced by students, the College has maintained its overall high levels, with attainment standing at 80%, which is 11% higher than in 2021-22. Furthermore, student enrolments have increased by almost 400. The College is pleased to report that both further withdrawals and partial success have decreased in comparison to last year by 2% and 4.8% respectively. Retention stands at 88.8% which is 2.2% higher than last year.

Further education part time (FE PT) student numbers continue to grow and make up approximately 55% of the overall cohort. Attainment rates in 2022-23 have significantly increased by 15%. Higher education part time rates have fallen by 12% in comparison to last year, however, student numbers have increased by 6%. Further education full time (FE FT) rates have improved by 6.4%, demonstrating the support staff provide to some of the most challenging students. Higher Education full time (HE FT) rates have slightly increased by 1.2% to 69.9%.

Key groups of students such as Care Experienced attainment rates increased significantly by almost 24%, in large part this was due to additional support measures put in place to help them stay on course. Students from SIMD areas 10 and 20 had attainment rates of 76.8% and 73.7% respectively, which is circa 10% and 6% higher than in 2021/22.

**Performance Analysis 2022/2023**

**Financial Performance Analysis - 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.

2023/24 budget planning processes were similar to those undertaken in 2022/23 with the Financial Forecast Return being reviewed in light of the financial climate, funding allocations and national salary awards which have not as yet been agreed for 2022/23 and 2023/24. Further work was undertaken to create a more accurate budgeting process with the implementation of budget phasing models for both temporary lecturing and non-pay costs and by introducing a weighting system linked to departmental credits.

The Board was asked to approve a further deficit budget for 2023/24 based on the financial challenges outlined above. The Board was presented with three different planning scenarios to take account of estimated pay increases for 2022/23 and 2023/24, which have not yet been settled for academic or support staff. A £761k deficit was presented based on a 3% salary increase across the two years for all staff; a £1,340k deficit aligned to a 5% salary increase across both years for all staff while a £1,780k deficit factored in flat cash settlements of £3,500 per annum for lecturing staff and £1,500 per annum for support staff. Despite the potential for significant budget deficits, the Board remain confident that appropriate actions will be taken to address the deficit as part of a strategic review of current operations during the year in preparation for academic year 2024/25. After detailed discussion the Board approved the draft Budget up to the maximum deficit of £1,780k.

• ***Operating a Break-even Budget***

Reflecting the more challenging operating conditions in 2022/23, the College reported a modest deficit of £253k for the year per the Adjusted Operating Position (2021/22 - surplus of £1,078k) This deficit is reflected in the change in the cash at bank position at the year end, but the College continues to hold an adequate level of net funds. The College produces monthly cash flow forecasts both for submission to the Scottish Funding Council and for review by the Senior Leadership Team and, quarterly, by the Finance and Resources Committee. 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 aiming to work to a balanced budget and in matching delivery to an efficiency in staffing. Enhancements to the College's IT systems include a robust Curriculum Planning model which provides an advanced level of monitoring of both staffing and credit delivery. The College also now has a Management Accountant in place to oversee the production of budget monitoring information.

The decrease in activity target for 2022/23 has allowed a decrease in staffing to offset the potential salary award for the year; this award has not yet been agreed, but the forecast for 2022/23 incorporates the latest offer to the relevant trade unions.

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

Average funding for credit delivery across the Lanarkshire Region by the SFC was £291.18 (2021/22 £281.47). South Lanarkshire College was funded at £285.67, this being a rate of £5.51 per credit lower than the Regional average. If

**Performance Analysis 2022/2023**

**Financial Performance Analysis - Financial Objectives (continued)**

the College had been funded at the regional average, it would have equated to a further £269k 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.

**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 39 to 60.

The Statement of Comprehensive Income ("SOCl") for the year ended 31 July 2023 shows a deficit for the year of £1,023k (2021/22 deficit £1,204k) before the actuarial adjustment in respect of pension scheme gains of £3,603k (2021/22 £9,403k) and the offset of the pension asset ceiling adjustment of £5,758k, producing a total comprehensive loss for the year of £3,178k (2021/22 gain of £8,199k). Any 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.

SFC recurrent grants for 2022/23 did not vary significantly from the previous year, but the delivery target decreased, meaning that the income per credit was higher in 2022/23 by approximately 4%. There were two components to the SFC Estates Grants for both 2022/23 and 2021/22. The recurrent Lifecycle Maintenance element remained relatively similar, whilst the Backlog Maintenance Grant, which was allocated according to a condition survey undertaken by SFC, followed the resulting SFC allocation, with the figure for the current year being considerably lower than 2021/22. The 2022/23 allocation for this Grant was the last to be received as a result of the survey.

Tuition fees have reduced from prior year. The College has experienced a 4.8% reduction in UK HE fees and a 13.7% reduction in UK FE fees. As regards the latter, this is mainly due to CITB fees being unusually high in 2021/22 as activity not delivered over COVID was delivered in that year; activity in 2022/23 reverted to a more standard year of delivery and the resultant level of fees. There was also a decrease in courses being delivered to the local authority and schools in 2022/23, although the College did deliver more Flexible Workforce Development Fund activity in that year, which went some way to offsetting the other decreases in FE activity.

Other income of £274k (2021/22 £236k) contains a grant release received by the College in respect of the project with SSE regarding windfarms of £74k from prior year (2021/22 £80k). The College also received £393k grant funding in year from the Scottish Government for sustainability initiatives involving LED lighting works and the implementation of a solar photovoltaic system (2021/22 £nil). The College further utilised £49k of grant funding from the Energy Skills Partnership to finance the purchase of a mobile ground heat source pump training device as part of the College's ongoing commitment to environmental sustainability within the educational setting (2021/22 £nil).

Payroll costs have increased despite a reduction in staff numbers (FTE) during the year, due to an increase in baseline costs due to recent salary awards. Other operating expenses have also increased from the previous year as a result of the College's continued efforts to bring more classes back on campus after COVID-19 together with the impact of the Cost-of-Living crisis on utilities and core teaching supplies. 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 6.8% for the year to July 2023 (10.1% for year to Jul 2022).

The main additions to fixed assets were in respect of the backlog maintenance works to the building, including substantial survey and gutter works to ensure the safe and efficient future running of the College, together with the purchase of additional computer equipment and system upgrades which were funded by both the digital support provision received from SFC and the College's own Strategic Investment Fund from 2022/23. A further £442k of capital expenditure was incurred and fully financed by the Scottish Government and the Energy Skills Partnership in respect of sustainability initiatives outlined within other income above. There were no fixed asset disposals in the year.

Debtors have increased from last year by £154k at £2,086k with £191k of the total being Foundation monies which are due

**Performance Analysis 2022/2023**

**Financial Performance for the Year (continued)**

for disbursement to the College for various operational projects during 2023/24. The trade debtors balance remains largely consistent with prior year with only a small increase of £29k.

The cash position at 31 July 2023 was lower than prior year at £3,263k highlighting the current financial pressures that are being felt sector wide. The College will also be repaying £107k of unspent student support funds to SFC during 2023/24, partially offset by an £8k debtor balance owed from SAAS. Following the ONS reclassification of incorporated colleges as public bodies, we are no longer permitted to hold large cash balances and our current cash balance represents likely commitments for ongoing capital works and anticipated salary on-costs as and when they are agreed under National Collective Bargaining initiatives. 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 higher than last year at £4,230k, largely due to an increase in amounts anticipated as due to the National Collective Bargaining Job Evaluation exercise that has not yet been finalized and will be backdated to 2018/19. Therefore, the College is currently carrying 5 years of accruals and it is anticipated that these amounts will be paid in 2023/24. Additionally, trade creditors in 2022/23 are higher by £336k mainly due to the timing of receipt of some larger, cyclical spend items such as computing licensing and software, competency matters and insurance premiums for 2023/24.

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 16 days as at 31 July 2023 (13 days at 31 July 2022). 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 £816k (2021/22: £759k) is shown within creditors falling due within one year with the balance of £22,799k (2021/22 £22,900k) shown within creditors falling due after one year.

The early retirement pension provision has reduced by £123k to £277k.

The College uses actuaries (Hymans Robertson LLP) to undertake an annual valuation of its share of the Strathclyde Pension

Fund asset. The valuation at 31 July 2023 resulted in a net pension asset increase to £5,758k at 31 July 2023 from £2,391k asset as at 31 July 2022. Despite the plan's healthy surplus, the pension asset has subsequently been restricted to a £nil position as an asset ceiling adjustment. The College cannot recognize a surplus as it is unable to reduce future contributions to the plan and is unable to request refunds from the Local Government Pension Scheme (LGPS) plan into which many other organisations contribute. £3,603k of the net movement was an actuarial gain (outwith our control) which has been reflected through the SOCI as a decrease to our total comprehensive loss for the year.

The revaluation reserve has been depleted by £722k to account for the difference between the depreciation charge of the building at current value and the depreciation that would have been charged had the building been carried at historical cost. The College is satisfied that there has been no material change to the valuation in the current year.

Taking all of the above into account, the SOCI shows a total comprehensive loss for the year of £3,178k (2021/22 £8,199k gain), which flows through to the Balance Sheet as a decrease in total reserves of £3,178k to give a reserves total of £29,177k as at 31 July 2023 (2021/22 £32,355k).

**Core Financial Performance Indicators**

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

	<b>2022/23</b>	<b>2021/22</b>
Non SFC income as a % of total income	17.6%	18.6%
Current assets: current liabilities	1.26:1	1.72:1
Days cash	64	62
Prompt payment to suppliers	16 days	13 days
Net assets including pension provision	£29,177k	£32,355k

**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

**Performance Analysis 2022/2023**

**Financial Performance for the Year (continued)**

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.

The Performance Report on pages 4 to 17 was approved on behalf of the Board of Management and signed on its behalf by:

*Stella McManus*

.....  
**Stella McManus –  
Principal**

05 December 2023  
**Date** .....

*Paul Hutchinson*

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

07 December 2023  
**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. The Chief Executive and Principal of the College is Stella McManus and the Chairing member of the Board of Management is Paul Hutchinson.

### **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 26). The register of interests can be found here: <https://www.slc.ac.uk/about-us/our-board/>.

### **Data Security**

There were 10 known incidents of personal data breaches in 2022/23 (6 incidents 2021/22). One of the 10 breaches was referred to the Information Commissioner's Office (ICO) based on the assessment of risk to the data subject(s). The ICO concluded that the incident did not reach the requirements for regulatory action. This was based on the proposed remedial measures set out by the College when reporting the breach which the ICO expects to be implemented in order to prevent reoccurrences. 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.

### **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.

### **Review of Financial Performance**

A full review of financial performance has been given in the Performance Report on pages 14 to 17 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.

## **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 2022/23 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:

- Establish that the auditors are aware of all relevant information, and that there is no relevant audit information of which the auditors are unaware,
- 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 2023 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 had appointed two experienced Acting Principals since December 2021, as a consequence of the suspension of the substantive postholder and the Acting Principals were supported effectively by an experienced Depute Principal. The most recent Acting Principal was in post from March 2022 to 31 March 2023 when the new permanent Principal was appointed.

Regarding 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 31<sup>st</sup> July 2021 and as at 31<sup>st</sup> July 2022 and also as at this date the College was and is fully Compliant with the Code of Governance. The College put in place a 'rolling' Governance Improvement Plan which sought to strengthen further its approach to Governance. The Board has overseen the completion of a detailed Governance Improvement Plan which was signed off by the Lanarkshire Regional Strategic Body and now has in preparation a Rolling Review Programme which will further strengthen its corporate governance arrangements while providing appropriate strategic direction for the College. However, the College has put in place a 'rolling' Governance Action Plan which seeks to strengthen further its approach in this area.

#### **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 made 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 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.

**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 2023 were -

<b>Name</b>	<b>Designation</b>	<b>Date of Change</b>	<b>Occupation</b>
Paul Hutchinson	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
Chris McDowall	Chair of the Human Resources Committee		Partner at Anderson Strathern LLP
Patricia Donnelly		Resigned June 2023	Chief Executive, The Mungo Foundation

\*\*\*Please refer to p.24 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 –

<b>Name</b>	<b>Designation</b>	<b>Date of Change</b>	<b>Occupation</b>
Alan Sherry	Acting College Principal	To end March 2023	Acting College Principal & Chief Executive
Stella McManus	Principal & Chief Executive	From April 2023	College Principal & Chief Executive
Craig McLaughlin	Chair of Audit & Risk Committee (from 30 November 2021)		Senior Teaching Fellow, Strathclyde Business School
Declan Hogan			Regional Board Member for Webhelp & International Consumer Solutions
Douglas Morrison	Interim Vice Chair (from 16 December 2021)		Director of Operations & Future Skills, Construction Scotland Innovation Centre
Fiona Whittaker			Head of People & Organisational Development, North Lanarkshire Council
Fiona Mullen		June 2023 appointed	Retired Head Teacher. Lecturer at Glasgow University
Heather Stenhouse	Chair of Curriculum, Quality & Development Committee (from 30 November 2021)		Assistant Faculty Manager, Strathclyde Business School
Heather Anderson			Assistant Director, Major Projects, University of Strathclyde
Anne Doherty	Support staff representative		Head of Alternative Funding at SLC
Tarryn Robertson	Lecturing staff representative		Lecturer at SLC
Rahela Calin	Student member	Term of office ended mid-June 2023	Student
Sarah McEwan	Student member	Stepped down for Personal reasons January 2023	Student
Tom Harris	Student member	Nominated by Student association January 2023 and term of office ended mid-June 2023	Student
Kayleigh Wither	Student member	Elected June 2023	Student
Ellie Hamilton	Student member	Elected June 2023	Student

Fiona Whittaker was approved as the Senior Independent Member following the resignation of Patricia Donnelly as intimated to the June 2023 Board. Following the suspension of the Clerk to the Board, Mr Peter Scott remained in post as was appointed as the Independent Acting Clerk / Governance Professional. 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/>

**Accountability Report**  
**Post Balance Sheet Changes in Board Membership**

**Appointments**

Name	Designation	Date of Appointment	Occupation
Paul Brodie		August 2023	Curriculum Manager Ayrshire College
Scott Coutts		August 2023	Online Marketing Manager Edinburgh University
Tom Feely		August 2023	Accountant
Professor Jo Gill	Chair of Curriculum, Quality and Development Committee	August 2023	Vice-Principal and Head of the College of Arts & Humanities
Peter Sweeney MBE		August 2023	Retired Civil Servant (expertise in Digital particularly cyber security and risk management.)

**Resignations**

Name	Designation	Date of Resignation
Declan Hogan		August 2023
Chris McDowall	Chair of HRC, succeeded by Heather Anderson	August 2023
Heather Stenhouse	Chair of CQD, succeeded by Prof Jo Gill.	August 2023

**Board Committees**

Attendance at the relevant meetings throughout the year to 31 July 2023 was as follows:

- Board of Management 63% (2021/22: 95%)
- Audit and Risk 65% (2021/22: 73%)
- Finance and Resources 63% (2021/22: 95%)
- Human Resources 85% (2021/22: 88%)
- Curriculum, Quality and Development 93% (2021/22: 76%)

Both the Audit and Risk and Finance and Resources are small committees so even one member being absent has a disproportionate effect on the absence figures.

Name	Board	ARC	HR	FRC	CQD
A Kerr	Stood down for full period				
P Hutchinson	100%	Observer	100%	50%	50%
A McKechnie	Suspended				
A Sherry*	75%	Observer	75%	75%	
S McManus *	25%	Observer	25%	25*	
C McLaughlin	83%	100%	n/a	n/a	n/a
D Hogan	17%	0%	n/a	n/a	n/a
F Whittaker	83%		100%		
A Doherty	100%	100%	100%		
R Calin	67%	75%			100%
C McDowall	67%		75%		
D Morrison	83%			100%	
C Gibb	100%			100%	
T Donnelly	67%			25%	
H Anderson	100%			100%	
F Mullen	June 2023 appointment – limited attendance				
T Robertson	100%				100%
T Harris	Student member – partial attendance after SMcE resigned				
S McEwan	Student Member – partial attendance due to compassionate leave				
R Smith	83%	Regional Chair not attached to Committees			

\*Shared Appointment – successive Principals

## **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 2022/23 was comprised as follows:

- 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 2022/23 was comprised as follows: -

- Mr C McDowall (Chair)
- Ms A McKechnie (see note \*\*\* below)
- Ms F Whittaker (appointed 4 November 2021)
- Ms A Doherty (appointed 4 November 2021)
- As Acting Principal, Mr A Sherry was appointed to this Committee on 16<sup>th</sup> December 2021. Mr A Sherry was appointed to the Committee upon taking up the role of Acting Principal on 1 April 2022.
- Ms S McManus (appointed 3 April 2023)

#### **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 2022/23 was comprised as follows: -

- Ms C Gibb (Chair)
- Ms P Donnelly (term ended 30 June 2023)
- Ms A McKechnie (see note \*\*\* below)
- Dr H Anderson (appointed 4 November 2021)
- Mr D Morrison (appointed 4 November 2021)
- Mr A Sherry (appointed 1 April 2022)
- Ms S McManus (appointed 3 April 2023)

\*\*\* The Chair, Mr A Kerr, and the substantive Principal, Ms A McKechnie, did not attend meetings after 30 November 2021 and Ms McKechnie was relieved of her duties on 16 January 2023.

## 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 2022/23 was comprised as follows: -

- Ms. H Stenhouse (Chair) (appointed 4 November 2021)
- Mr D Morrison (appointed 4 November 2021)
- Mr A Sherry (appointed 1 April 2022)
- Ms S McManus (appointed 3 April 2023)

#### 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 C McLaughlin, (Chair of the Audit and Risk Committee from 30 November 2021)
- Mr P Hutchinson (Chair of the Board of Management appointed December 2021)

### Governance Update and Developments

The Board has a robust self-evaluation process, as required by The Code of Good Governance for Scotland's Colleges. The review led to the detailed Governance Improvement Plan focusing on 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 Key Performance Indicators and a focus on diversity in future Board recruitment. This plan, has been signed off by the Lanarkshire Regional Strategic Body and there is a Rolling Review Programme which will further strengthen its corporate governance arrangements while providing appropriate strategic direction for the College. Audit Scotland recognised that the College took appropriate action during the year to improve governance and was compliant with the Code by 31 July 2022. The College remains compliant as at the date of this Report.

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.

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

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.

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.

The system has been in place for the year ended 31 July 2023 and up to the date of approval of the annual report and financial statements. The internal auditor has expressed the opinion that the College did have adequate and effective risk management, control, and governance arrangements 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;
- risk appetite session delivered by internal auditors for all Board and members of the management team;
- audit work by a range of external bodies; and
- comments made by the external auditors, such as Audit Scotland in their 2021-22 audit.

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

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. The Risk Management Group was re-established from August 2022, with membership drawn for all levels of the College. As part of the LRSB oversight role, there is information flow between routine communication between that body, the SLC Board and its committees.

The Board of Management recognises the unprecedented challenge within the sector due to the consequence of demographic change, the continuing impact of Brexit and the pandemic and the cost-of-living crisis and reduction in Scottish Government funding. The flat case settlement which was announced in 2021/22 by the Scottish Funding Council continues to mean that Board is focused on supporting the College to develop a strategic direction that does not rely solely on the Scottish Funding Council. This has resulted in the Board undertaking further sessions on risk appetite. In addition, a new strategic curriculum direction has been supported by the Board of Management in 2022/23 with this work continuing into

## Accountability Report

### Governance Statement (continued)

2023/24.

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.

Key issues and risks identified within the current Risk Register are detailed within the Performance Report on pages 11 and 12 of these financial statements, along with details on how the risks are managed and mitigated.

#### Significant Issues

During the financial year to 31 July 2023 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 College is fully compliant with the Code of Good Governance for Scotland's Colleges. The College adopted the 2022 Code of Good Governance in January 2023 and since adoption has also been fully compliant with the new Code of Good Governance

#### Compliance with the Code of Good Governance - Further Actions

The Board has overseen the completion of a detailed Governance Improvement Plan which was signed off by the Lanarkshire Regional Strategic Body and now has in preparation a Rolling Review Programme which will further strengthen its corporate governance arrangements while providing appropriate strategic direction for the College. Audit Scotland, in the 2021/22 audit published on 5 June 2023, recognised that the College took appropriate action during the year to improve governance and was compliant with the Code by 31 July 2022. The College remains compliant as at the date of this Report.

The Board concluded that it has discharged the actions set out in the Governance Improvement Plan, and following the outcome of an Internal Audit review and with the approval of the Board of Management, it 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 31<sup>st</sup> July 2023, 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.

## Accountability Report

### Remuneration and Staff Report

#### Introduction

*The sections marked \* in this Remuneration and Staff Report have been audited by Audit Scotland. The other sections of the Remuneration and Staff Report were reviewed by Audit Scotland to ensure that they were consistent with the financial statements. The Emoluments of higher paid members of staff in Note 7 (Analysis by pay bands) also forms part of the requirements of the Remuneration and Staff Report disclosures and has been subject to audit.*

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2022/23 Government Financial Reporting Manual (FReM) issued by the HM Treasury.

The College takes the view that the Principal, supported by the Depute Principal, is the only member of College staff with a strategic position within the organisation to sit on the Board of Management. Only the Principal 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. Details pertaining to the purpose and membership of the Remuneration Committee can be found on page 25 of the Governance Statement.

#### Senior Officials Remuneration and Pension Entitlement\*

Name	Year ended 31 July 2023			Year ended 31 July 2022		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Aileen McKechnie	80-85	15-20	95-100	120-125	25-30	150-155
Alan Sherry	80-85	-	80-85	40-45	-	40-45
Stella McManus	95-100	20-25	120-125	85-90	20-25	110-115

\*Post titles and dates of employment are provided on page 49.

Senior Officials received no performance related pay, bonuses, salary paid in lieu of pension nor non-cash benefits in either year.

#### Median and Range of Remuneration\*

The banded remuneration of the highest paid official in the institution in the financial year 2022-23 was £110-115k (2021-22: £120-£125k). This was 3.17 times (2021-22 4.25 times) the median remuneration of the workforce which was £34,686 (2021-22 £34,685). The table below excludes members of staff who did not work a full FTE in the years of review.

	2023 £000	2022 £000	Change in year %
All figures exclude pension contributions.			
Salary & Allowances of highest paid employee	110 - 115	150-155	(26.2)
	<b>2023</b>	<b>2022</b>	<b>Change in year %</b>
25 <sup>th</sup> percentile pay ratio	4.23	4.69	(9.8)
50 <sup>th</sup> percentile (Median) pay ratio	3.17	3.71	(14.6)
75 <sup>th</sup> percentile pay ratio	2.54	2.83	(10.2)
Salary of staff member in the 25 <sup>th</sup> percentile	26	26	-
Salary of staff member in the 50 <sup>th</sup> percentile	35	43	(18.6)
Salary of staff member in the 75 <sup>th</sup> percentile	43	43	-
Salary & Allowances of employees as a whole	14,732	14,725	0.05
Salary & Allowances of lowest paid employee	20	16	25.0

## Accountability Report

### Remuneration and Staff Report (continued)

The College pays the Glasgow Living Wage (£10.90 per hour as of April 2023) as a minimum and thus the lowest salary expressed as an FTE is £20,029 with the highest salary being £110,000. The College received Living Wage Accreditation in 2016/17.

#### 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](http://www.spfo.org.uk) and [www.sppa.gov.uk](http://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 2023  (bands of £5k)	Accrued lump sum at pension age at 31 July 2023  (bands of £5k)	Real increase in pension Year ended 31 July 2023  (bands of £2.5k)	Real increase in lump sum year ended 31 July 2023  (bands of £2.5k)	CETV at 31 July 2023  £'000	CETV at 31 July 2022  As Restated*	Real increase in CETV  £'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aileen McKechnie	5-10	0	0-2.5	0	83	75	8
Stella McManus	0-5	0	0-2.5	0	51	28	23

\*The prior year disclosure has been restated to incorporate the impact of a misclassification of pension benefits belonging to protected members instead of unprotected members. The change has resulted in lower CETV values as at 31 July 2022.

#### 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

**Accountability Report**

**Remuneration and Staff Report (continued)**

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.

**Staff Numbers and Related Costs\***

Staff Numbers (Gross)	2022/23 Headcount	2021/22 Headcount	2022/23 Cost	2021/22 Cost
Staff on Permanent contracts	285	303	£13,429k	£12,935k
Staff on Temporary contracts	50	40	£988k	£627k
Total	335	343	£14,417k	£13,562k

This can be further analysed as follows. This is unaudited:

Staff Numbers (Gross)	Male Headcount	Female Headcount	2022/23 Total Headcount
Senior Leadership Team	5	5	10
Other Staff	115	210	325
Total	120	215	335

Staff turnover percentage is 11.99% as at 31<sup>st</sup> July 2023 (2021-22 13.24%).

Further information pertaining to average numbers of staff expressed as full-time equivalents can be found in notes 6 and 7 of the Notes to the Financial Statements.

**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
5	0.45

**Percentage of time spent on facility time**

Percentage:	Number of employees:
0%	0
1%-50%	5
51%-99%	0
100%	0

**Percentage of pay bill spent on facility time**

Total cost of facility time:	£21k
Total pay bill:	£14.4m
Percentage of the total pay bill spent on facility time:	0.15%

**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 £22k (2021/22 - £15k).

## Accountability Report

### Remuneration and Staff Report (continued)

#### Professional fees re external investigation

Expenditure on the external investigation during the year was £252k excluding VAT (2021/22 - £293k).

#### Off-payroll Engagements

There were no off-payroll engagements during the year (2021/22 – 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 has developed a 3-year HR & People Strategy (2022-2025); within which there are 3 high level areas: Talent, Culture and Experience. The Strategy is essential in helping the College to achieve the Board's strategic priorities through people, to ensure the Values of the College are embedded in the employee journey and to develop and optimize the experience for all colleagues, managers and leaders 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.

#### Investors in People

The College achieved Investors in People recognition in 1997 and has continued to retain recognition since. 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, and, was re-accredited in 2019. In 2023 South Lanarkshire College was the first College in Scotland to be accredited at Platinum level, in the newly launched, We Invest in Wellbeing award. The College also achieved 'We Invest in People' Standard in 2023. Achieving these awards demonstrates the ongoing commitment to high performance through good people management.

#### 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 continuing professional development (CPD), the College has an annual programme of days, dedicated to staff development, as well as organising ongoing staff training as appropriate. In addition, the College hosts 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 2023 we added Health & Wellbeing to the programme.

Also, in 2023 we were delighted to launch brand-new staff eLearning training, TES Develop courses (powered by Educare). This eLearning replaces the previous eLearning modules issued. The mandatory courses appear in each employee's 'My learning' section. In addition, within the 'All courses' section there is a wide range of optional, CPD courses which staff can choose from to help them progress and grow.

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 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 Career Review process is structured and constructive, designed to help employees thrive in their careers. All managers have received training on performance feedback and coaching.

#### Staff Absence

Staff absence for year 2022/23 was 7.42% (2021/22 - 7.12%).

#### Equality Policy

The South Lanarkshire College ethos statement, 'We believe in equality and diversity' confirms the commitment to

## Accountability Report

### Remuneration and Staff Report (continued)

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.

#### **Awareness Raising & Changing Attitudes**

In 2021, to encourage a culture of wellbeing, the College introduced our Wellbeing Framework and Strategy which take a holistic view of an employee's social, physical and psychological wellbeing at work. We believe that our Wellbeing Strategy helps people perform better, build more positive working relationships, help manage workloads and work more creatively.

To promote, encourage involvement and participation in wellbeing events and initiatives, the College also introduced a Wellbeing Group and Wellbeing Champions from staff across the College.

The College is a Disability Confident Employer. Disability Confident is a government scheme that promotes the benefits to businesses of recruiting and retaining people with disabilities. As an employer, the College is proactive in ways to recruit disabled people and has mechanisms in place ensuring that people with disabilities and long-term health conditions feel supported, engaged and able to fulfil their potential in the workplace. This is part of our commitment to recruiting and retaining the best people. Being a Disability Confident employer means we are better placed to recruit people with disabilities, so that we can build strong and effective teams.

We are committed to promoting a culture of being Disability Confident to include:

- Actively looking to attract and recruit disabled people;
- Providing a fully inclusive and accessible recruitment process;
- Offering an interview to disabled people who meet the minimum criteria for the job;
- Flexibility when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job;
- Proactively offering and making reasonable adjustments as required;
- Ensuring employees have appropriate disability equality awareness, and
- Guiding staff to information and advice on physical and mental health conditions, with support available through our Occupational Health Service.

The College is also recognised as a Carer Positive Engaged Employer, accredited in 2018 and continues to promote the commitment to support carers through workplace policies/working practices.

#### **Equality, Diversity and Inclusion**

The College has a clear vision and strategy to promote equality, diversity and inclusion. This links with all aspects of our activity, as can be demonstrated by our strategic aim to promote equality and diversity. We were re-accredited as a Leader in Diversity for the 4th time in 2021. 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.

**Public Sector Equality Duty** - In line with the legal obligations, the College produced a Public Sector Equality Duty Report in 2021, and an interim report in 2023, 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 set out what the College plans to do, taking account of the need to: -

- Eliminate discrimination, harassment and 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.

## Accountability Report

### Remuneration and Staff Report (continued)

Each of the four new Equality Outcomes set by the Scottish Government in 2021 relate directly to our 3 strategic priorities:

1. Successful Students
2. Highest Quality Education and Support
3. Sustainable Behaviors

**The Equality Group** - The Equality Group is chaired by the 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.

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

**LGBT Youth Scotland** - 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. Each academic year, the College and SA take part in LGBT History Month and Purple Friday by hosting different activities such as face and nail painting. During the last academic year, a coffee, cake and chat event was set up in the onsite restaurant where students and staff could enjoy a free coffee/tea and cake while speaking to friends or support services. This was a great success and an event that will be repeated in the upcoming academic year.

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. Promotion of the award and the activities that take place are highlighted across the College and SA social media, as well as fortnightly newsletters to all staff and students.

**Going Further for Student Carers** - In 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 for the College 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.
- Named staff contact support is available to all carers and they can self-identify at any time through the Student Portal.
- Our dedicated Carers Support page on the website provides further information for students and prospective applicants: <https://www.slc.ac.uk/students/student-support/carers/>
- Dedicated documents are always available, including our Statement of Intent, Carers Action Plan, Carers Support Plan and Carers Support Policy. All these documents and more are available on the dedicated webpage for easy access.

We continue to work closely with the Carers Trust, and other Carer support services, to ensure that support across the College meet the needs of student carers. We regularly invite the Carers Trust and other organisations on campus as part of our events calendar, such as during Freshers' and Carers' Week, as well as arranging for information stalls throughout the year.

Similar named staff contact support is available for other priority groups including care experienced students, veterans and estranged students.

**Stand Alone Pledge** - The College received the Stand Alone Pledge in 2020 during Estranged Students Solidarity Week in recognition of the support available to our estranged students. Further information on the support available

## Accountability Report

### Remuneration and Staff Report (continued)

to estranged students is also included on a dedicated webpage <https://www.slc.ac.uk/students/student-support/estranged-students/>

**Armed Forces Covenant** - Additionally, the College signed up to the Armed Forces Covenant in 2019 to highlight our commitment to supporting veterans attending college. As above, veterans can self-refer at any time through the Student Portal and will receive named staff contact support. Further details of this support is available here: <https://www.slc.ac.uk/students/student-support/veterans/>

**Corporate Parent** - As a corporate parent, we are fully committed to supporting students who have care experience, are currently in care, or are about to leave care. We provide support to facilitate a smooth transition and help prepare for college life. We work in partnership with other support services and agencies, both internally and externally, in order to help you access specific support, tailored to individual needs. We are committed to taking the necessary actions to promote and support the health and wellbeing of these individuals to ensure they fulfil their potential and move to a positive outcome.

Our new Corporate Parenting Plan for 2020-23 has recently been published on the SLC website outlining our strategy and action plan with regards to progressing with this work. Further details on this are available here: <https://www.slc.ac.uk/students/student-support/care-experienced-students/>

#### Health and Wellbeing

The health and wellbeing of staff and students remains a strong focus for the College with regular events in place to address this and different initiatives in place for support, including free yoga and mindfulness classes for staff and students. These sessions are available for free via the Student and Staff Wellbeing pages via Teams. Sessions are live and recorded so individuals can access them later as and when required.

**Mental Health** - The proactive Mental Health Working Group meet on a regular basis to discuss any concerns raised and ensure they are addressed. A staff wellbeing group was also recently established to investigate activities and initiatives to encourage and promote staff wellbeing.

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.

In 2023, the staff development day in June and the afternoon of the All-Staff Conference in August, focused on staff Health & Wellbeing with a range of activities dedicated to enhance the physical, mental, and emotional health of employees.

The Pam Assist employee assistance programme and the Access to Work Mental Health support service are regularly promoted to staff through the SLC Wellbeing Activities Teams page.

Other Health and Wellbeing activities include, an annual Winter Flu Vaccination programme for staff, delivered by an external corporate programme, and annual Health MOT's, carried out by HNC Care and Administrative Practice Students.

**Student Mental Health Strategy** - 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 Strategy can be accessed through the following webpage <https://www.slc.ac.uk/students/student-support/mental-health-and-wellbeing/>

**NUS Think Positive** - The Students' Association continue to be part of the NUS Think Positive initiative and have produced a further Student Mental Health Agreement for 2022-24. We review and publish on an annual basis to highlight the different support services available to students. Our current Student Mental Health Agreement is available here: <https://www.slc.ac.uk/students/student-association/>

**Gender Based Violence** - In May 2021, the College was selected to be one of the pilot institutions, and one of only two colleges in the UK, to participate in the EmilyTest Gender Based Violence Pilot Charter for colleges and universities. EmilyTest is a Scottish charity working to improve prevention, intervention and support concerning gender-

## Accountability Report

### Remuneration and Staff Report (continued)

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

Our dedicated GBV prevention webpage (<https://www.slc.ac.uk/students/student-support/gender-based-violence/>) provides students, staff, stakeholders and prospective applicants an overview of the important work the College and Student Association are doing to tackle GBV.

After completing the Charter, the College signed up to be one of the first institutions to undertake the full EmilyTest Charter. This involved reviewing the work that had already been carried out and investigating whether there was anything further that could be put in place. At the time of writing, our Charter submission is currently with EmilyTest and we look forward to hearing the outcome of this in due course.

**Report and Support** - The College has implemented Report and Support software that all students can access, with a view to this being extended to all staff. Report and Support allows students to raise any concerns either anonymously or by providing contact details. Concerns can range from mental health and wellbeing, sexual harassment, bullying to safeguarding and more. These concerns will be received by a member of the Student Services team, and they will investigate and support as required. Further roll-out of this service will take place over the upcoming academic year with promotion across social channels and fortnightly newsletters.

The Accountability Report on pages 18 to 35 was approved on behalf of the Board of Management and signed on its behalf by:

*Stella McManus*

.....  
**Stella McManus -  
Principal**

05 December 2023

## **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**

I have audited the financial statements in the annual report and accounts of South Lanarkshire College for the year ended 31 July 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, and 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 my opinion the accompanying financial statements:

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

#### **Basis for opinion**

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the college in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern basis of accounting**

I 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 I have performed, I 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, I 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**

I report in my separate Annual Audit Report, the most significant assessed risks of material misstatement that I 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**

My 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. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal and Chief Executive as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal and Chief Executive concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussion among my team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Reporting on regularity of expenditure and income**

#### **Opinion on regularity**

In my 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 my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am 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**

I have audited the parts of the Remuneration and Staff Report described as audited. In my 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 2023**

**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 and the Statement from the Chairing Member of the Board of Management.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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 my 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 I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my 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
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

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

**Use of my 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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Andrew Kerr*

Andrew Kerr CA  
Senior Audit Manager  
Audit Scotland  
4th Floor South Side  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT  
07 December 2023

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

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31st July 2023	Year ended 31st July 2022
	Note	£000	£000
<b>Income</b>			
Scottish Funding Council grants	2	15,739	15,578
Tuition fees and education contracts	3	3,022	3,319
Other income	4	274	236
Investment income	5	15	1
<b>Total income</b>		<u>19,050</u>	<u>19,134</u>
<b>Expenditure</b>			
Staff costs	6	14,732	14,725
Other operating expenses	8	4,069	3,717
Donation to charitable trust		-	500
Interest and other finance costs	9	(172)	90
Depreciation	10 & 11	1,444	1,306
<b>Total expenditure</b>		<u>20,073</u>	<u>20,338</u>
<b>(Deficit)/surplus before taxation</b>		(1,023)	(1,204)
Taxation	12	-	-
<b>(Deficit)/surplus for the year</b>		<u>(1,023)</u>	<u>(1,204)</u>
Actuarial gain/(loss) in respect of pension scheme		(2,155)	9,403
Unrealised surplus on revaluation of land and buildings		-	-
<b>Total comprehensive gain/(loss) for the year</b>		<u><u>(3,178)</u></u>	<u><u>8,199</u></u>
Represented by:			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		<u>(3,178)</u>	<u>8,199</u>
		<u><u>(3,178)</u></u>	<u><u>8,199</u></u>

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 27 shows our adjusted operating position including this depreciation budget.

The accounting policies on pages 43 to 46 and the notes on pages 47 to 60 form part of these financial statements.

**SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2023

**STATEMENT OF CHANGES IN RESERVES**

	Income & expenditure reserve			Revaluation	Total £000
	Endowment £000	Restricted £000	Unrestricted £000	Reserve £000	
Balance at 1st August 2021	-	-	(88)	24,244	24,156
Surplus from the income & expenditure statement	-	-	(1,204)	-	(1,204)
Actuarial gain/(loss) 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/(loss) for the year	-	-	8,199	-	8,199
Balance at 1st August 2022	-	-	8,111	24,244	32,355
(Deficit) from the income & expenditure statement	-	-	(1,023)	-	(1,023)
Actuarial gain/(loss) in respect of pension scheme	-	-	(2,155)	-	(2,155)
Unrealised surplus on revaluation of land and buildings	-	-	-	-	-
Transfer between revaluation and unrestricted reserve	-	-	722	(722)	-
Total comprehensive gain/(loss) for the year	-	-	(2,456)	(722)	(3,178)
Balance at 31st July 2023	-	-	5,655	23,522	29,177

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### STATEMENT OF FINANCIAL POSITION

		As at 31st July 2023	As at 31st July 2022
	Note	£000	£000
<b>Non-current assets</b>			
Fixed assets	10	50,949	50,969
Intangible assets	11	177	-
		<u>51,126</u>	<u>50,969</u>
<b>Current assets</b>			
Stocks	13	8	8
Trade and other receivables	14	2,086	1,932
Cash and cash equivalents	20	3,263	3,628
		<u>5,357</u>	<u>5,568</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>4,230</u>	<u>3,273</u>
<b>Net current assets</b>		<u>1,127</u>	<u>2,295</u>
<b>Total assets less current liabilities</b>		52,253	53,264
Less: Creditors - amounts falling due after one year	16	22,799	22,900
Less: Provisions for liabilities	17	277	400
<b>Net assets excluding pension (asset)/liability</b>		29,177	29,964
<b>Net pension (asset)/liability</b>	19	-	(2,391)
<b>TOTAL NET ASSETS</b>		<u><u>29,177</u></u>	<u><u>32,355</u></u>
<b>Reserves</b>			
Revaluation reserve		23,522	24,244
Income and expenditure account - unrestricted		5,655	8,111
Income and expenditure account - restricted		-	-
<b>TOTAL RESERVES</b>		<u><u>29,177</u></u>	<u><u>32,355</u></u>

The Financial Statements on pages 39 to 60 were approved by the Board of Management and authorised for issue on 5 December 2023 and signed on its behalf by:

**Paul Hutchinson -**  
**Chairing Member of the Board of Management –**  
07 December 2023

**Stella McManus - Principal**  
05 December 2023

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### STATEMENT OF CASH FLOWS

	Year ended 31st July 2023	Year ended 31st July 2022
	£000	£000
<b>Net cash inflow from operating activities</b>		
(Deficit)/surplus for the financial year	(1,023)	(1,204)
Adjustments for:		
Depreciation of fixed assets	1,444	1,306
(Decrease)/Increase in creditors due within one year	899	(172)
(Increase) in debtors	(154)	(220)
Interest payable	(172)	90
Amortisation of deferred capital grants	(817)	(776)
Early retirement pension payments	(29)	(32)
Investment Income	(15)	(1)
Pension cost less contributions payable	315	1,163
Cash from operations	448	154
Income taxes paid	-	-
<b>Net cash generated from operating activities</b>	448	154
<b>Cash flows from investing activities</b>		
Investment Income	15	1
Purchases of fixed assets	(1,599)	(871)
<b>Net cash flows from investing activities</b>	(1,584)	(870)
<b>Cash flows from financing activities</b>		
Interest paid	(1)	(1)
Government capital grants received	772	872
<b>Net cash flow from financing activities</b>	771	871
<b>Net increase in cash and cash equivalents</b>	<b>(365)</b>	<b>155</b>
<b>Cash and cash equivalents at the beginning of the year</b>	3,628	3,473
<b>Cash and cash equivalents at the end of the year</b>	<b>3,263</b>	<b>3,628</b>

## **SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2023

Notes to the Financial Statements

### **1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**

#### **Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2019: 'Accounting for Further and Higher Education' and the 2022/23 Government Financial Reporting Manual (FReM) issued by the 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 (SOCl) 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 SOCl 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 SOCl 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 SOCl 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

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

Notes to the Financial Statements

### 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, including the College's eco-house, are depreciated over the expected useful economic life to the College of 40 years, but land is not depreciated.

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.

### Intangible Assets

Intangible assets are carried at fair value, these include software or development costs. They are amortised on a straight-line basis over estimated useful lives of four years. The college shall recognise an intangible asset only if:

- (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- (b) the cost or value of the asset can be measured reliably.

### 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	2.5% per annum straight line to a residual value
Furniture & Fittings	25% per annum straight line
Computer Equipment	25% per annum straight line
Intangible Assets	25% per annum straight line
Plant & Equipment	4% and 10% per annum straight line
Eco-House	2.5% per annum straight line
Motor Vehicles	33% per annum straight line

## **SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2023

Notes to the Financial Statements

### **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 SOCI 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.

## **SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2023

Notes to the Financial Statements

### **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 SOCI 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 2023

Notes to the Financial Statements

### 2. SCOTTISH FUNDING COUNCIL GRANTS

	Year ended 31st July 2023	Year ended 31st July 2022
	£000	£000
SFC recurrent grant	14,160	14,152
SFC non recurrent grants – other	504	356
Release of government capital grants	669	677
FE and HE Childcare	406	393
<b>Total</b>	<b>15,739</b>	<b>15,578</b>

Note 18

### 3. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31st July 2023	Year ended 31st July 2022
	£000	£000
UK Higher Education students	988	1,039
Non EU Higher Education students	1	16
UK Further Education students	1,363	1,580
SDS contracts	437	484
Other contracts	233	200
<b>Total</b>	<b>3,022</b>	<b>3,319</b>

### 4. OTHER INCOME

	Year ended 31st July 2023	Year ended 31st July 2022
	£000	£000
Other revenue grants	74	80
Other income	52	57
Release of ERDF deferred capital grant	96	99
Release of Scottish Government deferred capital grant	49	-
Release of ESP deferred capital grant	3	-
<b>Total</b>	<b>274</b>	<b>236</b>

### 5. INVESTMENT INCOME

	Year ended 31st July 2023	Year ended 31st July 2022
	£000	£000
Bank interest received	15	1

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### Notes to the Financial Statements

#### 6. 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 2023 <i>Number</i>	Year ended 31st July 2022 <i>Number</i>
Teaching departments	140	144
Teaching services	65	61
Administration and central services	44	45
Premises	29	27
Other support services	7	7
<b>Total</b>	<b>285</b>	<b>284</b>
 <i>Analysed as:</i>		
Staff on permanent contracts	270	266
Staff on temporary contracts	15	28
<b>Total</b>	<b>285</b>	<b>284</b>

#### Staff costs for the above persons:

	Year ended 31st July 2023 <i>£000</i>	Year ended 31st July 2022 <i>£000</i>
Wages and salaries	11,158	10,501
Social security costs	1,083	1,028
Other pension expense - Employer contributions	2,176	2,033
Staffing costs prior to FRS102 pensions adjustment	14,417	13,562
FRS 102 pensions adjustment	315	1,163
<b>Total</b>	<b>14,732</b>	<b>14,725</b>
Teaching departments	8,410	8,093
Teaching services	2,499	2,072
Administration and central services	2,282	2,305
Premises	905	838
Other support services	321	254
	14,417	13,562
FRS 102 pensions adjustment	315	1,163
<b>Total</b>	<b>14,732</b>	<b>14,725</b>

**SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2023

Notes to the Financial Statements

**6. 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 2023.

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 (2021/22: £0k).

**Analysis of Staff Costs:**

	Year ended 31st July 2023 £000	Year ended 31st July 2022 £000
Staff on permanent contracts	13,429	12,935
Staff on temporary contracts	988	627
	<u>14,417</u>	<u>13,562</u>
FRS 102 pensions adjustment	315	1,163
<b>Total</b>	<u><u>14,732</u></u>	<u><u>14,725</u></u>

Included in salary costs are agency staff costs of £166k (2021/22 £135k)

**7. 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, Acting Principal and Depute Principal are the only employees deemed to fall under the definition of "key management personnel". In the year to 31 July 2023, the dates of employment of the key management personnel were as follows:

Aileen McKechnie, Principal 1 August 2022 – 17 January 2023

Alan Sherry, Acting Principal 1 August 2022- 31 March 2023

Stella McManus, Principal 1 April 2023 – 31 July 2023 (FTE salary £110k)

Stella McManus, Depute Principal 1 August 2022 – 31 March 2023 (FTE salary £91k). This person became the Principal on 1 April 2023.

	Year ended 31st July 2023 £000	Year ended 31st July 2022 £000
The number of postholders during the year were as follows:	3	3
<i>For the purpose of the Note, it has been assumed that there have been two postholders deemed "Principal" for the period 1 August – 31 March 2023.</i>		
Remuneration	264	294
Benefits in kind	-	-
	<u>264</u>	<u>294</u>
Employer's pension contributions	<u>38</u>	<u>49</u>

The disclosure represents the salary of the Principal, one 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 2023

Notes to the Financial Statements

### 7. 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 2023 Number	Year ended 31st July 2022 Number
£60,001 to £70,000	2	2
£70,001 to £80,000	2	3
£80,001 to £90,000	2	1
£90,001 to £100,000	1	-
£120,001 to £130,000	-	1
	<u>7</u>	<u>7</u>

Six of the 2022/23 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 (for the academic year to 31 July):

	£000	£000
Salaries	557	571
Pensions contributions	102	115
Total emoluments	<u>659</u>	<u>686</u>

### 8. OTHER OPERATING EXPENSES

	Year ended 31st July 2023 £000	Year ended 31st July 2022 £000
Teaching departments	1,080	788
Teaching support	338	325
Administration and central services	816	977
Premises	1,195	1,039
Other expenses	234	195
FE and HE Childcare	406	393
<b>Total</b>	<u>4,069</u>	<u>3,717</u>
<b>Administration and central services include:</b>	<b>£000</b>	<b>£000</b>
Rentals under operating leases - equipment	89	75
Auditors' Remuneration (including irrecoverable VAT)		
- Internal audit	18	24
- External audit	24	23

Administration includes £252k (2022: £322k) in respect of investigation expenses.

### 9. INTEREST PAYABLE

	Year ended 31st July 2023 £000	Year ended 31st July 2022 £000
Bank interest	1	1
Net charge on pension scheme liabilities	(79)	101
Early retirement provision adjustment	(94)	(12)
<b>Total</b>	<u>(172)</u>	<u>90</u>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

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
<b>Cost or valuation:</b>								
At 1st August 2022	2,710	48,303	136	459	1,695	2,509	40	55,852
Additions	-	198	37	654	380	130	-	1,399
Revaluation				-	-	-	-	-
<b>At 31st July 2023</b>	<b>2,710</b>	<b>48,501</b>	<b>173</b>	<b>1,113</b>	<b>2,075</b>	<b>2,639</b>	<b>40</b>	<b>57,251</b>
<b>Depreciation:</b>								
At 1st August 2022	-	949	5	423	1,300	2,166	40	4,883
Provided during the period	-	960	42	101	241	75	-	1,419
Eliminated on revaluation	-			-	-	-	-	-
<b>At 31st July 2023</b>	<b>-</b>	<b>1,909</b>	<b>47</b>	<b>524</b>	<b>1,541</b>	<b>2,241</b>	<b>40</b>	<b>6,302</b>

#### Net Book Value

<b>At 31st July 2023</b>	<b>2,710</b>	<b>46,592</b>	<b>126</b>	<b>589</b>	<b>534</b>	<b>398</b>	<b>-</b>	<b>50,949</b>
<b>At 1 August 2022</b>	<b>2,710</b>	<b>47,354</b>	<b>131</b>	<b>36</b>	<b>395</b>	<b>343</b>	<b>-</b>	<b>50,969</b>

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

	<b>934</b>	<b>24,930</b>	<b>161</b>	<b>589</b>	<b>712</b>	<b>397</b>	<b>-</b>	<b>27,723</b>
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Land and buildings with a net book value of £49.428m (2021/22: £50.195m) have been funded from Exchequer Funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

### 11. INTANGIBLE ASSETS

	Intangible Assets £000	Total £000
<b>Cost or valuation:</b>		
At 1st August 2022	-	-
Additions	202	202
Revaluation	-	-
<b>At 31st July 2023</b>	<b>202</b>	<b>202</b>
<b>Depreciation:</b>		
At 1st August 2022	-	-
Provided during the period	25	25
Eliminated on revaluation	-	-
<b>At 31st July 2023</b>	<b>25</b>	<b>25</b>

#### Net Book Value

<b>At 31st July 2023</b>	<b>177</b>	<b>177</b>
<b>At 1 August 2022</b>	<b>-</b>	<b>-</b>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### Notes to the Financial Statements

#### 12. 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 2022 and 31st July 2023.

#### 13. STOCKS

	As at 31st July 2023 £000	As at 31st July 2022 £000
Stocks for resale	4	4
Other stocks	4	4
<b>Total</b>	<b>8</b>	<b>8</b>

#### 14. TRADE AND OTHER RECEIVABLES

	As at 31st July 2023 £000	As at 31st July 2022 £000
Trade receivables	48	19
Other receivables	195	14
European funding	-	226
Prepayments and accrued income	1,843	1,673
<b>Total</b>	<b>2,086</b>	<b>1,932</b>

#### 15. CREDITORS - Amounts falling due within one year

	As at 31st July 2023 £000	As at 31st July 2022 £000
Bank overdraft	-	-
Trade payables	375	39
Other taxes and social security costs	10	3
Other payables	-	7
Deferred income - restricted	227	185
Deferred income - Government capital grants (see note 18)	815	759
Accruals	2,704	2,129
Bursaries and Access funds for future disbursement or return to SFC	99	151
<b>Total</b>	<b>4,230</b>	<b>3,273</b>

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.

#### 16. CREDITORS - Amounts falling due after one year

	As at 31st July 2023 £000	As at 31st July 2022 £000
Deferred income - Government capital grants (see note 18)	22,799	22,900
<b>Total</b>	<b>22,799</b>	<b>22,900</b>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

Notes to the Financial Statements

### 17. PROVISIONS FOR LIABILITIES

#### Pensions costs arising from early retirements in prior years

	Year ended 31st July 2023 £000	Year ended 31st July 2022 £000
<b>At 1 August 2022</b>	400	444
(Credited)/charged to SOCI	(94)	(12)
Expenditure during the year	(29)	(32)
<b>At 31st July 2023</b>	<u>277</u>	<u>400</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% (2021/22: 0%).

### 18. DEFERRED INCOME - GOVERNMENT CAPITAL GRANTS

	£000
<b>At 1st August 2022</b>	23,659
Additional grants	772
Release to Income and Expenditure Account	(817)
<b>At 31st July 2023</b>	<u>23,614</u>
Disclosed as follows;	
Amount falling due within one year	815
Amount falling due after one year	22,799
	<u>23,614</u>
<b>Source of Deferred Capital Grant</b>	
Sourced from SFC	19,219
ERDF Grant	4,005
Scottish Government Grant	344
Energy Skills Partnership Grant	46
<b>Total</b>	<u>23,614</u>
<b>Analysis of Release</b>	
Funded via SFC Grants & capital contributions	Note 2 669
Funded via ERDF Grants	Note 4 96
Funded via Scottish Government Grants	Note 4 49
Funded via Energy Skills Partnership Grant	Note 4 3
	<u>817</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 2023

### Notes to the Financial Statements

#### 19. 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, the Strathclyde Pension Fund, "SPF". Both STSS and SPF are defined benefit schemes, with STSS providing benefits for lecturing staff and SPF providing benefits for support staff of the College.

For support staff, the contribution payable by the College throughout the financial year to 31 July 2023 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.

	year ended 31st July 2023	year ended 31st July 2022
	£000	£000
Contributions to STSS	1,528	1,459
Contributions to SPF	648	574
	<u>2,176</u>	<u>2,033</u>

Employee contributions to STSS and SPF were £619k and £177k respectively. (2021/22: STSS: £673k and SPF: £176k)

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

	year ended 31st July 2023	year ended 31st July 2022
	£000	£000
<b>Charged to staff costs</b>		
Current service costs	918	1,723
Past service costs	-	-
<b>Total charged to staff costs</b>	<u>918</u>	<u>1,723</u>
<b>Credit/(charge) for net return on pension scheme</b>		
Interest income	(652)	(288)
Interest cost	573	389
Early retirement provision adjustment	(95)	(12)
<b>Net interest charged</b>	<u>(174)</u>	<u>89</u>
<b>(Credit)/charge to other comprehensive income</b>		
Return on assets	370	107
Changes in demographic assumptions	(222)	(101)
Other experience	909	45
Gains and losses arising on changes in financial assumptions	(4,660)	(9,454)
<b>Actuarial (gain)</b>	<u>(3,603)</u>	<u>(9,403)</u>
<b>Total (credit) to the SOC</b>	<u>(2,859)</u>	<u>(7,591)</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 was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

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 for the period from 1 April 2022 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

The College's level of participation in the scheme is less than 1% based on the proportion of employer contributions paid in 2022-23.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### Notes to the Financial Statements

#### 19. PENSIONS (continued)

##### 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 major categories of plan assets as a percentage of total plan assets has been used to determine the estimated split of assets as at 31 July 2023.

	31 July 2023	31 July 2022
Equities	61%	60%
Bonds	27%	27%
Property	10%	11%
Cash	2%	2%

The valuation was updated by the actuary on an FRS 102 basis as at 31st July 2023 and 31 July 2022 and the major assumptions used in the valuation and the updates were:

	Update at 31 July 2023	Update at 31 July 2022
Inflation / pension increase rate	3.00%	2.75%
Salary increases	3.70%	3.45%
Discount rate	5.05%	3.50%

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 2022 model, with a 25% weighting of 2022 data, 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	19.1	22.0
Future pensioners	20.3	23.9

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements are 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.

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 2023 have been prepared by Hymans Robertson LLP.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### Notes to the Financial Statements

#### 19. PENSIONS (continued)

##### Asset Ceiling

The net defined asset is the surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The surplus is the present value of the defined benefit obligation less the fair value of plan assets. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. South Lanarkshire College has no unconditional right to a refund in a Local Government Superannuation Scheme. Similarly, as a minimum funding requirement exists to improve the security of the post-employment benefit promise made to members of an employee benefit plan, the College cannot reduce future contributions. Therefore, an asset ceiling calculation has been performed to restrict the net asset position to £nil. (2021/22: No asset cap).

The movement in the funded part of the net pension liability for the year ended 31 July 2023 was as follows:

	Year ended 31 July 2023		
	Assets	Obligations	Net (Liability)/ Asset
	£000	£000	£000
Fair value of employer assets	18,419	-	18,419
Present value of funded liabilities	-	(16,028)	(16,028)
<b>Opening position as at 1 August 2022</b>	<b>18,419</b>	<b>(16,028)</b>	<b>2,391</b>
Current service cost	-	(918)	(918)
Past service cost (including curtailments)	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>(918)</b>	<b>(918)</b>
Interest income on plan assets	652	-	652
Interest cost on defined benefit obligation	-	(573)	(573)
<b>Total net interest</b>	<b>652</b>	<b>(573)</b>	<b>79</b>
<b>Total defined benefit cost recognised in SOCI</b>	<b>652</b>	<b>(1,491)</b>	<b>(839)</b>
Employee contributions	178	(178)	-
Employer contributions	603	-	603
Benefits paid	(358)	358	-
<b>Total cash flows</b>	<b>423</b>	<b>180</b>	<b>603</b>
<b>Expected closing position</b>	<b>19,494</b>	<b>(17,339)</b>	<b>2,155</b>
Changes in demographic assumptions	-	222	222
Changes in financial assumptions	-	4,660	4,660
Other experience	-	(909)	(909)
Return on assets excluding amounts included in net interest	(370)	-	(370)
<b>Total remeasurements in other comprehensive income</b>	<b>(370)</b>	<b>3,973</b>	<b>3,603</b>
Fair value of plan assets	19,124	-	19,124
Present value of funded liabilities	-	(13,366)	(13,366)
Asset Ceiling Adjustment	(5,758)	-	(5,758)
<b>Closing position as at 31 July 2023</b>	<b>13,366</b>	<b>(13,366)</b>	<b>-</b>

Information about the defined benefit obligation	Liability split at 31 July 2023		Weighted average duration at last formal valuation *
	£000	%	
Active members	9,015	67.5%	24.4
Deferred members	1,525	11.4%	25.6
Pensioner members	2,826	21.1%	11.7
Total	13,366	100.0%	21.7

\* as at 31 March 2020

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### Notes to the Financial Statements

#### 19. 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	-	(23,356)	(23,356)
<b>Opening position as at 1 August 2021</b>	<b>17,788</b>	<b>(23,356)</b>	<b>(5,748)</b>
Current service cost	-	(1,723)	(1,723)
Past service cost (including curtailments)	-	-	-
<b>Total service cost</b>	<b>-</b>	<b>(1,723)</b>	<b>(1,723)</b>
Interest income on plan assets	288	-	288
Interest cost on defined benefit obligation	-	(389)	(389)
<b>Total net interest</b>	<b>288</b>	<b>(389)</b>	<b>(101)</b>
<b>Total defined benefit cost recognised in SOCI</b>	<b>288</b>	<b>(2,112)</b>	<b>(1,824)</b>
Employee contributions	171	(171)	-
Employer contributions	560	-	560
Benefits paid	(281)	281	-
<b>Total cash flows</b>	<b>450</b>	<b>110</b>	<b>560</b>
<b>Expected closing position</b>	<b>18,526</b>	<b>(25,538)</b>	<b>(7,012)</b>
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)
<b>Total remeasurements in other comprehensive income</b>	<b>(107)</b>	<b>9,510</b>	<b>9,403</b>
Fair value of plan assets	18,419	-	18,419
Present value of funded liabilities	-	(16,028)	(16,028)
Asset Ceiling Adjustment	-	-	-
<b>Closing position as at 31 July 2022</b>	<b>18,419</b>	<b>(16,028)</b>	<b>2,391</b>

#### Projected defined benefit cost for the year to 31 July 2024

	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% of pay
Projected current service cost	-	(550)	(550)	(17.6%)
Interest income on plan assets	974	-	974	31.2%
Interest cost on defined benefit obligations	-	(682)	(682)	(21.8%)
<b>Total included in SOCI</b>	<b>974</b>	<b>(1,232)</b>	<b>(258)</b>	<b>(8.2%)</b>

The valuation estimates that the Employer's contribution for the year to 31 July 2024 will be approx. £603,000.

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 2024 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 2023	Approximate % increase to Employer Liability	Approximate monetary impact (£000)
0.1% decrease in real discount rate	2%	301
1 year increase in member life expectancy	4%	535
0.1% increase in the salary increase rate	0%	26
0.1% increase in pension increase rate	2%	280

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### Notes to the Financial Statements

#### 20. ANALYSIS OF CHANGES IN NET FUNDS

	At 1st August 2022 £000	Cash Flows £000	Other Changes £000	At 31st July 2023 £000
Cash in hand and at bank	3,628	(365)	-	3,263
Bank overdraft	-	-	-	-
<b>Total</b>	<b>3,628</b>	<b>(365)</b>	<b>-</b>	<b>3,263</b>

#### 21. LEASE OBLIGATIONS

Total rentals payable for equipment under operating leases

	year ended 31 July 2023 £000	year ended 31 July 2022 £000
<b>Future minimum lease payments due</b>		
Within one year	72	60
Between 2 and 5 years	53	53
Greater than 5 years	-	-
	<u>125</u>	<u>113</u>

#### 22. CAPITAL COMMITMENTS

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

#### 23. CONTINGENT LIABILITIES

The College has received intimation of two applications to the Employment Tribunal but as neither has yet been listed as active proceedings, the college is unable to comment beyond acknowledging that applications have been intimated (2021/22: None)

#### 24. POST BALANCE SHEET EVENTS

There were no post balance sheet events at the year end.

#### 25. ACCOUNTING JUDGEMENTS AND ESTIMATES

##### JUDGEMENTS

With the College accounting reference date reflecting the end of the academic year, there are only a few judgements made that impact upon the application of the Accounting Policies to the financial statements.

The College does act as an agent in the collection and payment of certain student support funds (see note 27). These funds are excluded from the College income and expenditure account, and movements have been disclosed in the notes to the accounts. Where the college has more discretion in the way specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the college income and expenditure account.

Separately, when considering indicators of impairment of the college's Fixed Assets, the College considers the economic viability and the expected future financial performance of the asset in reaching a decision.

##### ESTIMATES

The Financial Statements contain estimated figures that are based on assumptions made by the college about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the College's Balance Sheet at 31 March 2023, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

**Pension Balance:** The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied. The effects on the net pension's asset of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate would result in a reduction of £301k in the pension asset.

**Land and Building valuations and useful economic lives:** College buildings are of a specialist nature and are valued on the depreciated replacement cost basis. These assets are revalued on a three-year cycle, with valuation assumptions ascertained by professional valuers who have considered the potential uncertainty regarding asset valuations arising from the current economic climate. The carrying amount of Land and Buildings as at 31 July 2023 is £49,428k. The impact of a 1% change in the valuations of these assets would change the value of them by £494k. Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer. The useful lives are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Any decision to increase or reduce expenditure in this area could affect the useful lives of assets.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023

### Notes to the Financial Statements

#### 26. 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 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, a range of agencies funded by South Lanarkshire Council and a number of other colleges and higher education institutions. Further details of these transactions can be found in note 2 Scottish Funding Council Grants.

South Lanarkshire College participates in both the "STSS" and the "SPF" defined benefit schemes, with STSS providing benefits for lecturing staff and SPF providing benefits for support staff. As sponsors, both "STSS" and "SPF" are considered to be related parties to the College. Further details of transactions during the year can be found in note 19 Pensions.

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 2023
Mr C McDowall	Anderson Strathern LLP	Partner	£16k	£0

#### 27. 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 2023 £000	year ended 31st July 2022 £000
(Deficit) / Surplus from SOCI before other gains / (losses)	(1,023)	(1,204)
Add non cash budget to cover depreciation	197	197
(Deficit) / Surplus on Central Government accounting basis for academic Year	<u>(826)</u>	<u>(1,007)</u>

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of factors such as inflationary pressure and geopolitical issues as explained in the Performance Report on pages 4 to 14.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2023  
Notes to the Financial Statements

### 28. SUMMARY OF BURSARY AND OTHER STUDENT SUPPORT FUNDS

#### Funds received from Scottish Funding Council (SFC)

	2022/23						2021/22
	Bursaries	FE Childcare	FE Hardship	EMA	HE Childcare	SFC Total	SFC Total
	£000	£000	£000	£000	£000	£000	£000
Grants received in period	1,988	291	1,626	77	116	4,098	4,022
B/fwd from previous year	151	-	-	-	-	151	448
Recovery of funds (repaid to SFC)	(131)	-	-	-	-	(131)	(371)
Virements to NCL	-	-	-	-	-	-	-
Internal virements	-	(57)	(205)	-	57	(205)	-
Disbursements to students	(1,901)	(234)	(1,429)	(77)	(173)	(3,814)	(3,948)
Funds from College	-	-	-	-	-	-	-
<b>C/fwd in Creditors - Note 15</b>	<b>107</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>99</b>	<b>151</b>
<b>Analysis</b>							
Repayable to SFC	107	-	(8)	-	-	99	151
Retained for students	-	-	-	-	-	-	-
	<b>107</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>99</b>	<b>151</b>

#### Funds received from Student Awards Agency for Scotland (SAAS)

	2022/23		2021/22	
	HE Hardship	SAAS Total	SAAS Total	SAAS Total
	£000	£000	£000	£000
Grants received in period	121	121	325	-
B/fwd from previous year	-	-	-	-
Recovery of funds (repaid to SAAS)	-	-	-	-
Funds from College	-	-	17	-
Virements	205	205	-	-
Disbursements to students	(326)	(326)	(342)	-
Interest received	-	-	-	-
<b>C/fwd in Creditors - Note 15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Analysis</b>				
Repayable to SAAS	-	-	-	-
Retained for students	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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.

## Appendix – 1 Accounts direction for Scotland’s colleges 2022-23

1. It is the Scottish Funding Council’s direction that institutions<sup>1</sup> comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>2</sup>.
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges’ Regional Board are also required to comply with the Government Financial Reporting Manual 2022-23 (FRoM) where applicable. In cases where there is a conflict between the FRoM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges’ Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2023.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges’ Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

20 July 2023

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<sup>1</sup> The term “institutions” includes colleges and Glasgow Colleges’ Regional Board

<sup>2</sup> Glasgow Colleges’ Regional Board’s accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire’s accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College