



**South  
Lanarkshire  
College**

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East Kilbride

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**Report and Financial Statements**

**for the year ended 31<sup>st</sup> July 2021**

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

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## **Welcome**

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

### **Statement from the Acting Chair of the Board of Management**

During these challenging times, as Acting Chair of South Lanarkshire College, I continue to be immensely proud of the work of the College in providing our students with an excellent educational experience and securing positive outcomes for them. The Board has been incredibly impressed by how quickly our students and staff team adapted to online learning, teaching and working, which reflects the quality of our outstanding staff in guiding the College through unprecedented times.

I am also pleased that the College remains in sound financial health and we have a clear expectation that this will continue, despite the difficult external economic climate in which the College sector as whole operates.

The Board of Management remains committed to sound governance and is currently progressing the induction of nine new members to our Board as well as implementing recommendations to further strengthen our approach to governance.

We will continue to work effectively with our colleagues in The Lanarkshire Board (RSB) to help provide a comprehensive educational experience across Lanarkshire and beyond.

I would like to thank all of our Board Members and express on their behalf our appreciation to all of our staff in the College and to 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)**  
**Acting Chair of the Board of Management**

## Welcome

### Statement from the Acting Principal

As Acting Principal and Chief Executive of South Lanarkshire College, I am pleased to note that the College has continued to focus on student success, operational delivery and institutional sustainability during 2020/21, despite the impact of the global pandemic on learning, teaching and working. The College remains in a relatively sound financial position, despite the fact that the current external financial environment remains challenging and the requirements of post-COVID recovery remain unclear. We continue to undertake a range of scenario planning to support our approach to the post-COVID and post-Brexit landscape.

The higher than anticipated surplus in the management accounts for this financial year was supported by a variety of factors, including lower than anticipated staff costs; successful collaborations with industry and other partners; additional in-year funding allocations from the SFC; and by close and prudent stewardship of the College's finances. This surplus will allow the development and implementation of the College's Strategic Investment Plan during 2021/22.

College management continues to refine its approach to control, assurance and risk management arrangements; to improve its approach to strategic financial management; and to develop its approach to alternative income generation. This will allow us to maintain a strong focus on finance, risk and sustainability arrangements going forward, to secure our operational success.

Significant energy and effort have been invested in seeking continuous improvement across all areas of the College's operational and governance approaches, which has benefitted from support by our Internal Auditors and the SFC. We are currently responding to recommendations from both on approaches to secure ongoing improvement in our controls and governance approaches and welcome the opportunity to ensure the best interests of the College and to secure our future sustainability and success.

During this year, we have invested £816k in estates development on campus as part of a major upgrading programme which will continue into the next year. The works completed will future proof the estate; will provide improved efficiencies in the future running of the College; and will support our ambition to continue our focus on sustainability.

The College published its Key Facts 2020/21 document in August, recognising staff and student success; our KPIs for 2019/20; our response to COVID; and our commitment to sustainability and social and economic recovery. Read more here: [Key Facts 2021](#).<sup>1</sup>

We continue to deliver well for our students; to focus on health, wellbeing and support for our staff and students; and to be ambitious to play our full role in supporting the Lanarkshire economy. We remain confident that our collective approach, working in close partnership with our Board, our students, our staff and our stakeholders, will help us to focus on our role in regional social and economic recovery, as we emerge from the pandemic.

Liz McIntyre  
**Acting Principal and Chief Executive**

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<sup>1</sup> [https://issuu.com/southlanarkshirecollege/docs/our\\_year\\_-\\_key\\_facts](https://issuu.com/southlanarkshirecollege/docs/our_year_-_key_facts)

## Performance Report

### Overview and Operating Context

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

The Scottish college sector faces significant uncertainty in the immediate and near future particularly as a result of the impact of the current pandemic. Even without this, there was overall financial restraint in the public sector with the challenge of delivering annual efficiency savings of 3% and an acknowledged degree of uncertainty over future funding streams. South Lanarkshire College has been successful in increasing its core activity allocation in line with growing demand, as per the table on page 8. However, in 2020/21 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%. The credit allocation has increased for the coming year to 50,435, a 2.5% increase on 2020/21.

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

In preparation for a return to campus in August 2020, the College undertook scenario planning and established a formal programme management approach to support the College's response to the COVID-19 pandemic. This was supported by the use of RAID logs (Risks, Assumptions, Issues and Dependencies), which involved every area of the College in the identification of risks and mitigating actions. This allowed Heads of Faculties and Departments to plan for continuity of service in full consideration of robust risk assessment and required mitigation. College management worked closely with the Scottish Government and with NHS Lanarkshire to ensure we were fully compliant with all health and safety guidance and COVID-19 requirements, and we continue to refine our approach in line with government guidance.

South Lanarkshire College continues to develop its relationship with its Regional Strategic Body (RSB), 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 where there is potential for mutual benefit. It also seeks to partner with other relevant education institutions to progress mutually relevant ambitions, such as around sustainable construction and improved articulation. There has been slower than anticipated progress taking forward the SFC recommendation for Regional dissolution, following its review of Coherent Provision and Sustainability, published in October 2020, though this recommendation has subsequently been endorsed by the Scottish Government in its response, published on 26 October 2021. The College Chair participated in the Liaison Group, established by the Scottish Funding Council and which includes the Scottish Government and the Chair of the RSB. There will be a requirement for legislative change to enact the dissolution arrangements, which will be led by the Scottish Government. The timetable for this has not yet been provided.

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 Risk Register which is reviewed regularly, both internally and by the Board of Management and which has undergone a process of refinement in-year. The Board has now approved a new approach to control and assurance arrangements within the College, which will be supported by the updates to risk management, and which is a partial response to advice from our Internal Auditors on control improvements. This is based on the HMT Assurance Framework model. This robust focus on effective business operations, including risk and assurance, will support the College to continue to work towards its vision of being Scotland's leading college.

### Performance analysis

#### *Strategic Plan Overview*

The College published its Strategic Framework entitled "*Delivering Excellence*" in August 2019 (<https://www.south-lanarkshire-college.ac.uk/about-us/overview/strategic-plan/>). The development of this Framework began in June 2018 with a Board of Management planning day, followed by student, staff and other stakeholder consultation

## Performance Report

### Performance Analysis (continued)

through November 2018 and into Spring 2019. The Strategic Framework sets out clearly the College's 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 2020-21 and while the pandemic has clearly impacted this at South Lanarkshire, as well as across the sector, our students have continued to achieve well;
- Sound financial controls, and new approaches to improvement, leading to continuing financial stability;
- A series of both curriculum and business support awards for innovation, inclusivity and diversity;
- Continues to meet key targets for carbon management;
- Secure re-accreditation at Platinum for the Investors in People Award and the Leaders in Diversity Award;
- Participation in Education Scotland's National Overview of Practice: Remote Learning in Colleges in April 2021;
- The Student Association was delighted to have achieved the LGBT Silver Charter Mark Award in October 2020;
- In November 2020, the College was proud to have achieved the Stand Alone Pledge Award in recognition of our support for estranged students;
- In May 2021, the College was selected to be one of only four pilot institutions working with Emily Test on the Gender Based Violence Charter for colleges and universities;
- In August 2021, the College was delighted to win the S1 Jobs Award for Best Diversity and Inclusion Initiative.

### ***Purposes and Activities of the College***

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

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

We are:

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

## **Performance Report**

### **Performance Analysis (continued)**

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

### **Commercial Income and Strategic Growth**

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

The College has met and slightly exceeded its activity level target for each of the last ten years, including 2020/21. It has done so over a period of several years of consistent growth, demonstrating the potential unmet demand that exists in the immediate catchment area and beyond. This meeting of demand and sound financial control has also resulted in surpluses being recorded in all but one year throughout that period.

The College retains Highly Trusted Sponsor status by the UK Borders Agency and has done so since June 2012. This means the College is not limited in the numbers of overseas students it can attract. However, changes implemented in UK legislation have reduced the demand from overseas students to very small numbers. In the current global disruption, the College is not actively recruiting international students, but it is still receiving applications.

### **Regional Development**

South Lanarkshire College is recognised as a high-performing college by its students, as recognised via the students surveys, Education Scotland, via its reviews by that body, 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 and exceeding targets and averages for student attainment and outcomes.

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

The SFC initiated a review of tertiary education and research in 2020. The first phase of the review report, [Coherence and Sustainability: A review of Tertiary Education and Research](#), was published in October 2020 and recommended the dissolution of the RSB and that both colleges manage themselves as separate regional entities. This recommendation was subsequently approved by the Boards of both colleges in November 2020. There has been slower than anticipated progress taking forward the SFC recommendation for Regional dissolution, though this recommendation has subsequently been endorsed by the Scottish Government in its response, published on 26 October 2021. The College Chair participated in the Liaison Group, established by the Scottish Funding Council and which includes the Scottish Government and the Chair of the RSB. There will be a requirement for legislative change to enact the dissolution arrangements, which will be led by the Scottish Government. The timetable for this has not yet been provided.

### **Key Issues and Risks**

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

- The College cannot maintain financial stability;
- There is a failure of financial controls;
- There is a failure to meet credit target and/or failure to retain major public and private contracts;
- There is a breach of legislation and associated regulations;
- There are insufficient funds for capital project and maintenance requirements;

## Performance Report

### Performance Analysis (continued)

- There is a failure to meet statutory and legislative health and safety and safeguarding requirements;
- There is business interruption due to major disaster, IT failure etc.;
- There is a theft of, or damage to, Management Information Systems (including cybercrime);
- There is a failure to achieve acceptably high standards of learning and teaching;
- There is a failure to provide an engaging and effective employee journey;
- There is a failure to provide appropriate support to students via our Student Services function;
- There is a failure of Corporate Governance arrangements;

South Lanarkshire College has a Risk Management Group comprising all members of the Senior Leadership Team, as well as our 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.

The COVID-19 pandemic is having a significant impact on the College and this is reflected in the Risk Register, with the risk descriptors and scoring taking on a new, more critical dimension. The effects of the pandemic are increasing the exposure of the College, particularly in terms of its financial sustainability and the health, safety and wellbeing of its staff and students. This has resulted in a new approach to risk management, with the embedding of risk throughout the college, with operational risk registers now being held at Faculty and Department level and feeding into a strategic corporate risk register.

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

Following a whistleblowing claim made by a member of staff, during the year, the College initiated a third-party investigation utilising the forensic section of its internal audit service provider. Whilst the claims themselves could not be substantiated, the investigation made a number of recommendations for internal control and process improvements and the College has accepted all of them. The Action Plan flowing from the investigation was approved at the Board meeting of 4<sup>th</sup> November 2021. The follow-up of the recommendations will form part of a separate report to each meeting of the Audit and Risk Committee. The College will thus benefit from this additional in-year review into its financial and other controls and the meeting of the recommendations made will strengthen our systems and processes. Additionally, a new approach to control, assurance and risk management arrangements was approved by the Board in November 2021, based on the HM Treasury three lines of defence model, which will be subject to quarterly reporting to the Audit & Risk Committee. The College will continue to identify areas for improvement relating to all areas of its controls, processes and procedures. This will remain a work in progress and interventions introduced as required.

The main College Risk Register is presented to all four meetings of the College's 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 major risk facing the College remains the sustainability of core funding including the uncertainty surrounding the portion of funding supported by the EU. Whilst the Scottish Funding Council has given tentative figures in terms of activity and associated funding for the period to 2023/24 for the purposes of indicative financial planning, the Board is very aware of the need for this situation to be monitored closely to ensure that the College is responsive to any changes in circumstance.

## Performance Report

### Performance Analysis (continued)

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

The Board has recently approved a new approach to control and assurance arrangements within the College (see above for detail), which will be supported by its new approach to risk management.

The College benefits from receipt of European Social Funding. Until 2017/18, this funding came through the Youth Employment Initiative (YEI). In 2020/21 the funding came through the Developing Scotland's Workforce programme, ring fenced for programmes at Higher National level. For South Lanarkshire College this amounts to 5,385 credits which represents 10.9% of the College's activity (this is planned to reduce to 3,140 credits being 6.2% of activity for 2021/22). The College secured £1.537m of funding under this programme and delivered the full activity level. It should be noted that this activity is not accompanied by an allocation for student support.

The decision to leave the European Union will obviously affect the source of this funding. It will also affect funding in other areas such as; income from the ERASMUS programme which funds development of staff and students; the opportunity to apply for European Regional Development Fund (ERDF) grants; and core funding currently received for EU students who may no longer come to the UK to study. The effects of the withdrawal of EU funding will also impact third party providers of learning and training such as the local authorities, the Construction Industry Training Board (CITB) and Skills Development Scotland, all of whom receive EU support to fund activity that they work with the college sector to deliver. Whilst the College can identify the direct EU funding that it receives and assess the financial risk of its diminution or withdrawal, the actual impact on indirect funding is not so easy to determine and the College is aware that it must look to develop a financial strategy that takes account of the likely decrease in non-core funding. The sector is working with the Scottish Government and the Scottish Funding Council to mitigate the effects of this decrease.

### Funded Activity Targets

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

Credits	Original Grant in Aid allocation	In-year additional allocation	ESF / SFC project allocation	Total Activity Target	Audited Activity*
2015/16	38,478	2,500	5,906	46,884	46,885
2016/17	40,978	0	5,906	46,884	47,355
2017/18	42,088	627	5,906	48,621	49,037
2018/19	42,947	900	5,906	49,753	50,313
2019/20	43,816	333	5,808	49,957	50,477
2020/21	43,816	0	5,385	49,201	49,492

Over a period of continued growth and curriculum change and development, the College has exceeded its credit target for the past ten years and delivered high attainment rates for students, consistently amongst the best performing in the sector as noted in the KPIs produced by SFC. It should be noted that the allocation of EU part-funded activity to the Region has been further reduced for 2021/22.

\*Audited activity as certified by our Internal Auditors.

### Estates

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

Acknowledging that the aesthetics of a teaching environment can have a significantly 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:

## Performance Report

### Performance Analysis (continued)

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

### Measuring Performance

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

#### • **Operating a Break-even Budget**

The College once again delivered on its break-even budget in 2020/21. The College produces monthly cash flow forecasts both for submission to the Scottish Funding Council and for internal review. Management place great emphasis on these cash flow forecasts to ensure that the College has sufficient funds.

#### • **Maintaining High Attainment Rates for Students**

Mode	Overall Enrolments	No. Completed Successful	%	Completed Partial Success	%	Further Withdrawal	%	Early Withdrawal	%
FE FT	1,306	623	55.1	163	14.4	168	15	89	8
FE PT	2,327	1,625	74	167	7.6	119	5.4	70	3
HE FT	1,262	789	72.1	67	6.1	122	11	58	5.3
HE PT	301	204	79	17	6.5	12	4.6	14	5.3
Overall	5,196	3,241	69.2	414	8.8	421	9	231	5

The above table shows the unconfirmed 2020-21 attainment rates for South Lanarkshire College. The College has always reported consistently excellent rates, and despite the obvious impact of COVID-19 the College has maintained its overall high levels of attainment of 69.2%. Further education full time (FE FT) students, who make up a quarter of the College's enrolments, have been impacted the most by COVID-19 as those students tend to come from the most vulnerable and high-risk groups. The decrease in FE FT attainment rates is reflected across the sector nationally.

Further education part time (FE PT) students make up 45% of the College's overall cohort and, even with the pandemic, attainment was 74% which is only just below the national rates of 2019-20. Note that national rates will decrease for 2020-21 in line with the sector attainment rates. Both higher education full time and part time rates are above the 2019-20 national rates by 2.3% and 0.1% respectively. These cohorts make up 30% of the College's overall enrolments.

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

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

More information on college sector destinations can be found [here](#).<sup>2</sup>

<sup>2</sup> <https://www.sfc.ac.uk/publications-statistics/statistical-publications/2021/SFCST072021.aspx>

## Performance Report

### Performance Analysis (continued)

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

Following the requirement to move solely to off-campus delivery from March 2020, the College surveyed students to find out how well they felt the College had dealt with the disruption. Of those surveyed, 91% felt they had adequate support, guidance and resources and 89% felt their health was adequately supported during lockdown. Feedback following Education Scotland's deep dive into blended learning at the college in March 2021 demonstrated that the flipped learning approach was working well at the college, with innovative practice demonstrated across vocational courses such as the use of video to demonstrate techniques and skills, helping to engage and keep learners motivated. Learners with additional support needs really flourished and were able to still engage and gain further independent learning skills.

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

Data published by the Scottish Funding Council shows that the average SFC funded in-year price per credit for South Lanarkshire College in 2020-21 was £278.63. It also shows the average funding for credit delivery across the Lanarkshire Region by the SFC was £281.01. South Lanarkshire College was therefore funded at a rate of £2.38 per credit lower than the Regional average. If the College had been funded at the Regional average, it would have equated to a further £117k of SFC funding. The College therefore contributes significantly towards Regional finances and 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 percentages going into positive destinations and jobs and very high success rates for learners from the most disadvantaged backgrounds. In addition, the College has always exceeded its 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.

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

The Scottish Government aims to reduce carbon emissions by setting annual targets. In 2007/08 the College set itself a target to reduce its carbon footprint by 15% over a 10-year period. It exceeded that by a large margin. The College now has an active strategy to promote sustainable behaviours in order to contribute positively to the Scottish Government's 2020 and 2050 targets on carbon reduction. The College's low-energy, low-carbon building is performing better than initial modelling suggested and in the two full years of operation has had no negative impact on the overall carbon emissions from our campus. The College recently pledged to meet the Race to Zero climate change challenge and undertook a full programme of events to support COP26, which took place in Glasgow in November 2021. The College also participated in the launch of the Scottish Colleges Statement of Commitment on the Climate Emergency and is using the action road map to benchmark its own actions.

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

The College's Sustainability Group has within its remit the requirements to draw together the mandatory "Public Sector Climate Change Report" for the Scottish Government due by 30 November 2021. In the baseline year of 2008/09, the College's carbon footprint was 1,973t eCO<sub>2</sub>; for the year 2019/20, the College's carbon footprint was 912 teCO<sub>2</sub>. This represents a 53.8% reduction on the baseline over a period when the College has also grown by 60%.

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

Annually, in partnership with the Student Association, there is a Mental Health Awareness week, Equality & Choices event, a Health & Wellbeing event, "Green Day", an LGBTI event and Macmillan Cancer Relief coffee mornings.

## **Performance Report**

### **Performance Analysis (continued)**

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

The College has a strong ethos on promoting equality and diversity as outlined in its Strategic Framework and was the first college in Scotland to achieve Investors in Diversity as well as “Leader in Diversity” accreditation. At the start of the new academic year, our Human Resources team won the award for Best Diversity and Inclusion Initiative at the S1 Jobs Recruitment Awards for their creative embedding of inclusivity and diversity practices in our recruitment approaches. The College was also recently short-listed in the Global Lead5050 awards for 50/50 in Executive Leadership.

The College retains its strong focus on providing support for the most disadvantaged learners, with evidence of the effectiveness displayed through the high attainment rates achieved by these learner groups.

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

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.

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 strategy with many initiatives designed to enhance the physical and mental health of staff. These include a walking and running club, circuit training and access to turbo trainers; a slimming club; mindfulness and yoga classes for staff and students; self-referral to confidential employee counselling; discounted rates for spectacles required for VDU work; gym membership and a visiting chiropody service; plus aerobic / dance classes and a staff choir. During 2020-21, as part of the College’s commitment to the mental health and well-being of staff and students, yoga classes have also been introduced. The College has staff discount arrangements with several local businesses and gyms.

The College also enters a team in the annual Glasgow 10K run, with a donation going to that year’s designated charity. Other charitable activities take place in-year, including Easter, Halloween and Christmas raffles and there are frequent donations to local food banks.

### **Financial Performance**

#### **Financial Objectives**

With the overriding aim of maintaining long term financial stability, the College’s Financial Planning Framework for the period 2020/21 to 2022/23 was updated in June 2020 as part of the review of the College’s financial sustainability arrangements.

- 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;

## Performance Report

### Financial Performance (continued)

- 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 2020/21 to 2023/24. This document fed into the Financial Forecasting Return (FFR) which was submitted to the Funding Council for the 2020/21 – 2023/24 period.

### Financial Performance for the Year

The following sections provide a summary of our financial performance in the year from the financial statements which are published on pages 33 to 55.

The Statement of Comprehensive Income and Expenditure ("SOCIE") for the year ended 31 July 2021 shows a surplus for the year of £356k (2020 deficit £661k) before the actuarial adjustment in respect of pension scheme gains of £2,127k (2020 losses £2,784k) and the unrealised surplus on revaluation of land and buildings of £17,370k produced a total comprehensive gain for the year of £19.9m (2020 loss £3.4m). The valuation of land and buildings and the pension scheme actuarial movement, and their consequential impact on the accounts, are outwith the control of the College.

Grants received from SFC have increased from the previous year reflecting an increase in the overall average price per credit of 6.7%.

Tuition fees are up by 9.6% on the prior year. This is due to some activity being deferred from 2019/20 to 2020/21 as a direct result of COVID-19, and also due to an increase in schools' provision with the local council.

Other revenue grants of £158k (2020 £181k) mainly relate to grants received by the College in respect of the HMRC Job Retention Scheme.

Payroll costs have remained consistent with the increased baseline costs reported in the prior year.

Other operating expenses have decreased from the previous year as a result of a reduction in revenue-related backlog maintenance expenditure. In the current year, due to the additional funding received from SFC, the College was able to undertake large capital projects related to this backlog maintenance. COVID-19 has also led to a delay in expenditure and a reduction in some premises expenses as the building was required to operate at a restricted capacity throughout the year in accordance with government guidelines. The Government's Consumer price inflation index (CPI) was 2.0% for the year to July 2021.

During the year, the College transferred £15k to Higher Education student support funds from its reserves. These funds were required in order to ease student hardship and best support our students. The College also utilised additional SFC funding to assist students in need with the payment of fees.

The net asset position of the balance sheet was improved by the revaluation of College land and buildings in July 2021. This resulted in an uplift to land and buildings of £17.37m with an increase in the revaluation reserve of this amount. The valuation represents a substantial increase to the carrying value of land and buildings but it should be noted that this is a 'snapshot' in time and the valuation has been positively affected by increased construction costs due to both the COVID-19 pandemic and Brexit. The Board will continue to review the carrying value in coming years out-with the planned cycle of revaluations to ensure that this valuation remains appropriate. It should also be recognised that the increase in the valuation will lead to additional depreciation charges in the coming

## **Performance Report**

### **Financial Performance (continued)**

years which will negatively impact the Statement of Comprehensive Income and Expenditure. The land and buildings were revalued as at 31 July 2021 by Ryden LLP, a regulated firm of Chartered Surveyors (see note 10).

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

Debtors have increased from last year at £1,712k with £379k of the total being ESF monies which are due for disbursement by SFC in October 2021. The decrease in trade debtors is due to the timing of payments, with £304k being outstanding at the year end from a key customer when the equivalent payment was received in June in the prior year.

Our cash position at 31 July 2021 was higher than usual at £3,473k due to various timing differences, and it should be noted that this has significantly decreased in the first 6 months of the 2021/22 year. We were required to draw down the 2020/21 dilapidations monies in March 2021, but the work had to be completed during the summer when students were off campus. The final payments were made in August and September 2021 after the works were carried out in July 2021. The College will also be repaying £450k of unspent student support funds to SFC during 2021/22. This was due to additional in year support being received. Following the ONS reclassification of incorporated colleges as public bodies, we are no longer permitted to hold large cash balances. Whilst we have an overdraft facility with RBS, we did not require to use this in the year.

Creditors falling due within one year are higher than last year at £3,493k, largely due to an increase in accruals relating to both dilapidations works and National Collective Bargaining. At present, the National Collective Bargaining Job Evaluation exercise has not been finalised and this will be backdated to 2018/19. Therefore, the College is currently carrying 3 years of accruals and it is anticipated that these amounts will be paid in 2022/23.

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers at the end of the month following invoice or supply, or as otherwise agreed with the supplier concerned. All disputes and complaints are handled as quickly as possible. Creditor payment days were 21 days as at 31 July 2021 (15 days at 31 July 2020). The College had no interest payments liable under the Late Payment of Commercial Debts (Interest) Act 1998.

Deferred capital grants consist of capital grants received from Government sources. Next year's projected release of £808k (2020 £752k) is shown within creditors falling due within one year with the balance of £22.8m (2020 £22.6m) shown within creditors falling due after one year.

The early retirement pension provision has reduced by £28k to £444k.

The College uses actuaries (Hymans Robertson LLP) to undertake an annual valuation of its share of the Strathclyde Pension Fund liability. The valuation at 31 July 2021 reduced the deficit on the College's share of this net pension liability from £6.894m at 31 July 2020 to £5.748m as at 31 July 2021. £2.127m of the net movement was an actuarial gain (out-with our control) which has been reflected through the SOCIE as an increase in our total comprehensive gain for the year.

Taking all of the above into account, the SOCIE shows a total comprehensive gain for the year of £19.9m (2020 loss £3.4m), which flows through to the Balance Sheet as an increase in total reserves of £19.9m to give a reserves total of £24.2m as at 31 July 2021 (2020 £4.3m).

## Performance Report

### Financial Performance (continued)

#### Core Financial Performance Indicators

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

	<b>2020/21</b>	<b>2019/20</b>
Non SFC income as a % of total income	19.3%	18.8%
Current assets: current liabilities	1.49:1	1.08:1
Days cash	63	31
Prompt payment to suppliers	21 days	15 days
Net assets including pension provision	£24.2m	£4.3m

#### Financial Resource Position

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

#### Spend of Fixed Budget for Priorities

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

	<b>2020/21</b>	<b>2019/20</b>
	£000	£000
<b>Fixed budget for priorities</b>	197	197
<i>Revenue priorities</i>		
Estates costs	197	197
<b>Total priorities spend</b>	<b>197</b>	<b>197</b>

#### 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.

**Performance Report**

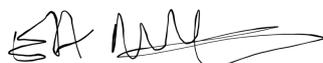
**Financial Performance (continued)**

	<b>Year ended 31 July 2021</b>	<b>Year ended 31 July 2020</b>
	£000	£000
<b>Surplus / (deficit) from SOCIE before other gains / (losses)</b>	356	(661)
<b>Add</b> depreciation (net of deferred capital grant)	262	244
non-cash pension adjustment - net service cost	878	650
non-cash pension adjustment - net interest cost	103	77
non-cash pension adjustment - early retirement provision	5	6
<b>Adjusted operating surplus</b>	<b>1,604</b>	<b>316</b>

**Going Concern**

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

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



.....  
**Liz McIntyre – Acting Principal**

**Date** 24 March 2022



.....  
**Paul Hutchinson – Acting Chair of the Board of Management**

**Date** 24 March 2022

## **Accountability Report**

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

### **Corporate Governance Report**

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

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

### **Directors' Report**

#### **Statutory Background**

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

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

#### **Directors**

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

#### **Register of Interests**

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

#### **Disclosure of Information to Auditor**

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

#### **Post Balance Sheet Events**

There were no events occurring after the year-end, which fall under the definition of a post balance sheet event, which impact on the financial results of the year.

#### **Review of Financial Performance**

A full review of financial performance has been given in the Performance Report on pages 12 to 15 of these financial statements.

#### **Taxation Status**

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

#### **Regional Board Expenses**

The College contributes to the share of the costs of operating the RAB. Its share of the costs in the year ended 31 July 2021 was £43,585 (2020 £35,882).

## **Accountability Report**

### **Statement of the Board of Management's Responsibilities**

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Acts 1992 and 2005, the 2019 Statement of Recommended Practice - Accounting for Further and Higher Education, the 2020/21 Government Financial Reporting Manual (FRoM) 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 the College's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the College's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with The RSB 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.

## Accountability Report

### Statement of the Board of Management's Responsibilities (continued)

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

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative 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.

### Governance Statement

#### Introduction

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 understand how the principles have been applied. This Governance Statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2021 and to the point of signing the accounts, and reports the Board's assessment of the effectiveness of these arrangements.

The College has recently appointed an Acting Principal and Acting Chair of the Board of Management. These appointments have been made to cover a temporary period of absence from their duties of the substantive post-holders, to allow the Board to conduct two independent investigations which are not yet concluded. As a result, the governance statement will be overseen, approved and signed by the temporary post-holders. The Head of Finance and the Financial Accountant have worked with the Acting Chair and the Acting Principal to ensure that they have the background knowledge and assurance to allow them to sign the Financial Statements. The Acting Chair was previously the Vice Chair and sat on the Audit and Risk Committee throughout the 2020/21 year.

#### 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 the Principal and independent non-executive members appointed by the Board, together with employee and student representatives who are elected by their peers and the Chair of the RSB. The Chairs of the respective Committees of the Board are non-executive members. The Chair of the Board is appointed by the RSB. The Board sets and monitors the strategic direction of SLC following consultation with the RSB, oversees College work and sets high standards of governance and management. Five members of the College Board are also included on the Board of the RSB.

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 RSB and South Lanarkshire College, dated January 2016, provide further clarity on

## Accountability Report

### Governance Statement (continued)

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 non-legal terms.

The College Principal is accountable directly to the SLC Board for the proper conduct of SLC's affairs and is also accountable directly to the Chief Officer of the RSB for SLC's proper use of funds deriving from the RSB and its compliance with the requirements of the Financial Memorandum.

Since the introduction of the RSB, funding is now allocated to the College by the RSB and is subject to the condition of compliance with objectives outlined within the Regional Outcome Agreement. To provide the College management team with assurance that SLC is maintaining its commitment to deliver the Regional Outcome Agreement objectives, updates highlighting performance against key targets are presented to weekly College management team meetings where actions to address areas of potential underperformance are agreed.

When new Board members are required, they are recruited via competitive interviews, focussing on their skills, experience and other attributes which would benefit the College. A full interview process is conducted 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 2021 were -

Name	Designation	Date of Change	Occupation
Andy Kerr	Chair *		CEO of Sense Scotland
Paul Hutchinson	Vice Chair	Acting Chair from 30 November 2021	Head of Profession, Communications & Networks, Atkins Ltd.
Aileen McKechnie	College Principal *		College Principal & Chief Executive
Ronnie Smith			Chair of the RSB
Clare Gibb	Chair of Finance and Resources Committee		Director & Company Secretary of McConnell Gibb Partnership
Lesley Glen	Chair of Audit and Risk Committee	Resigned – 7 September 2021	The Institute of Chartered Accountants of Scotland – Chief Operating Officer
Chris McDowall	Chair of the Human Resources Committee		Partner at Anderson Strathern LLP
Stuart Dillett		Term ended – 30 September 2021	Managing Director with idverde
Patricia Donnelly			Chief Executive, The Mungo Foundation
Sean Duffy		Term ended – 30 September 2021	Chief Executive of the Wise Group
Paul Hughes	Chair of Curriculum, Quality & Development Committee to 5 April 2021	Resigned 5 April 2021	Head of Programmes, STV
Yvonne Johnston		Resigned 3 May 2021	Estates Transformation and Change Lead, Police Scotland
Jean Carratt	Lecturing staff representative	Term ended – 30 September 2021	Care lecturer at SLC
Rose Harkness	Support staff representative	Term ended – 30 September 2021	Head of Student Services at SLC
Gemma McClarence	Student President 2020-21 & 2021-22	Appointed 1 July 2020	Student at SLC
Charlotte McDonald	Student Vice- President 2020-21	Appointed 1 July 2020 Resigned 30 June 2021	Student at SLC
Alan Mackie	Student Vice- President 2021-22	Appointed 1 July 2021	Student at SLC

\*Please refer to p.24 for further details on post year end changes to the designation

## Accountability Report

### Governance Statement (continued)

New members appointed to the Board of Management post year end are –

Name	Designation	Date of Change	Occupation
Liz McIntyre	Acting College Principal	16 December 2021	Acting College Principal & Chief Executive
Craig McLaughlin	Chair of Audit & Risk Committee (from 30 November 2021)	Appointed 4 November 2021	Senior Teaching Fellow, Strathclyde Business School
Declan Hogan		Appointed 4 November 2021	
Douglas Morrison	Interim Vice Chair	Appointed 4 November 2021; Interim Vice Chair from 16 December 2021	Director of Operations & Future Skills, Construction Scotland Innovation Centre
Fiona Whittaker		Appointed 4 November 2021	Head of People & Organisational Development, North Lanarkshire Council
Heather Stenhouse	Chair of Curriculum, Quality & Development Committee (from 30 November 2021)	Appointed 4 November 2021;	Assistant Faculty Manager, Strathclyde Business School
Heather Anderson		Appointed 4 November 2021	Councillor, Scottish Borders Council
Anne Doherty	Support staff representative	Appointed 4 November 2021	Head of Alternative Funding at SLC
Cheryl Robertson	Lecturing staff representative	Appointed 4 November 2021; Resigned 15 December 2021	Lecturer at SLC

Mr Stuart Dillett served as Senior Independent Member of the Board until June 2021. Ms Patricia Donnelly was approved as the Senior Independent Member in June 2021. Ms Angela Martin, an employee of the College, serves as Clerk to the Board and, in her absence, Mr Brian Keegan, an employee of the College, served as Interim Clerk to the Board of Management during the year to 31 July and until 30<sup>th</sup> November 2021 (see p.24 for further details). From January 2022, Mr Peter Scott has served as Interim Clerk to the Board of Management. 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/>

#### Board Committees

Committees of the Board generally meet 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 Chair of the Board. The exception to this arrangement is that neither the Principal nor the Chair 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. It should be noted that due to the timing of Board departures and appointments, there was a short spell of one month after the year end where the College did not have its legal minimum membership. However, there were no Board meetings during that time and the first full Board meeting after the year end was on 4<sup>th</sup> November. There was a subsequent Board meeting on 16<sup>th</sup> December, held in order to allow members to deal with outstanding business and to introduce the Acting Principal.

#### Audit and Risk Committee

The Audit and Risk Committee invites the College's internal and external auditors to its meetings as required. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal controls and management's responses and implementation plans. It also concerns itself with monitoring the College's arrangements for Risk Management. In addition, it receives and considers reports from the Scottish Funding Council and Audit Scotland as they affect the College's business and monitors adherence to

## **Accountability Report**

### **Governance Statement (continued)**

the regulatory requirements. Whilst the Chair of the Board and the Principal can attend meetings of the Audit and Risk Committee by invitation, they are not members of that Committee. Additionally, 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 2020/21 was comprised as follows: -

Ms L Glen (Chair) (resigned 7 September 2021)  
Mr P Hutchinson (Chair from 7 September 2021 – 30 November 2021)  
Ms Y Johnston (resigned 3 May 2021)

Post year end appointments are 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)

### **Finance and Resources Committee**

The Finance and Resources Committee recommends to the Board the College's 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, procurement and planning for the College's property, equipment and estates. The Finance and Resources Committee for 2020/21 was comprised as follows: -

Ms C Gibb (Chair)  
Mr A Kerr  
Mr S Dillett (term ended 30 September 2021)  
Ms P Donnelly  
Ms A McKechnie

Post year end appointments are as follows: -  
Ms H Anderson (appointed 4 November 2021)  
Mr D Morrison (4 November 2021)

As Acting Chair and Acting Principal respectively, Mr P. Hutchinson and Ms L McIntyre were appointed to this Committee on 16<sup>th</sup> December 2021.

### **Human Resources Committee**

The Human Resources Committee oversees the appointment of additional members of staff and salary award negotiations. The Committee also consider staff development and matters concerning the terms and conditions of College staff along with monitoring Health and Safety matters across the College. The Human Resources Committee for 2020/21 was comprised as follows: -

Mr C McDowall (Chair)  
Ms R Harkness (term ended 30 September 2021)  
Ms A McKechnie

Post year end appointments are as follows: -

Ms F Whittaker (appointed 4 November 2021)  
Ms A Doherty (appointed 4 November 2021)  
As Acting Principal, Ms L McIntyre was appointed to this Committee on 16<sup>th</sup> December 2021.

### **Curriculum, Quality and Development Committee**

The Curriculum, Quality and Development Committee considers and directs the College's marketing and commercial strategy and oversees its continuing progression. The Committee also monitors the quality assurance processes across the College. The Curriculum, Quality and Development Committee for 2020/21 was comprised as follows: -

## Accountability Report

### Governance Statement (continued)

Mr P Hughes (Chair) (resigned 5 April 2021)  
Mr S Duffy (term ended 30 September 2021)  
Ms J Carratt (term ended 30 September 2021)  
Ms A McKechnie  
Ms G McClarence (re-appointment 1 July 2021)  
Ms C McDonald (resigned 30 June 2021)  
Mr A Mackie (appointed 1 July 2021)

Post year end appointments are as follows: -

Ms H Stenhouse (Chair) (appointed 4 November 2021)  
Mr D Morrison (4 November 2021)  
Ms C Robertson (appointed 4 November 2021, resigned 15 December 2021)  
As Acting Principal, Ms L McIntyre was appointed to this Committee on 16<sup>th</sup> December 2021.

### 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.

Mr A Kerr (Chair of the Board of Management)  
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)  
Mr C McLaughlin, Chair of the Audit and Risk Committee  
As Acting Chair, Mr P. Hutchinson was appointed to this Committee on 16<sup>th</sup> December 2021.

### Attendance at the relevant meetings throughout the year to 31 July 2021 was as follows:

• Board of Management	95%	(2019/20: 72%)
• Audit and Risk	73%	(2019/20: 79%)
• Finance and Resources	95%	(2019/20: 91%)
• Human Resources	88%	(2019/20: 92%)
• Curriculum, Quality and Development	76%	(2019/20: 82%)

### Governance Update and Developments

The College Development Network undertook an external effectiveness review in June 2021, which is part of ensuring that the Board has a robust self-evaluation process, which is stated in The Code of Good Governance for Scotland's Colleges. As part of this report eleven actions were recommended. 'Key recommendations relate to Board induction and training, the creation of an annual work plan for boards and committees, membership of Board committees, a revised approach to the reporting of KPI's and a focus on diversity in future Board recruitment. All of these recommendations, along with those contained in the further SFC Review of Governance, have been included in the Governance Improvement Plan and this will be monitored by the Board. In particular, Board training will focus on building effective and positive relationships between the Board and the executive.

Following discussions between the RSB and the Scottish Funding Council re ongoing internal issues, the latter commissioned a review of governance at the College which took place in August 2021 (see following paragraph for details). This review has examined aspects of governance against the appropriate benchmarks contained in the Code of Good Governance for Scotland's Colleges. Whilst the detail of the report and its wider distribution is still the subject of discussion

## **Accountability Report**

### **Governance Statement (continued)**

between the Board and SFC, recommendations were made, and these have been included in South Lanarkshire College's Governance Improvement Plan.

An Extraordinary Meeting of the Board of Management was called on 30 November 2021 to discuss ongoing matters in relation to governance issues. In order for these matters to be fully investigated, the Board agreed to commission two independent investigations and it was further agreed that Mr Paul Hutchinson, Vice-Chair of the Board, would step into the role of Acting Chair of the Board. Allied to this, at its meeting of the 16 December, the Board approved the appointment of Ms. Liz McIntyre as Acting Principal to support the College during the independent investigations.

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

In order to ensure robust oversight of governance issues and opportunities for improvement, the Board agreed that the College would produce an overarching Governance Improvement Plan that would build on the recommendations made by the CDN review and the SFC review and was also requested by the RSB. It should be noted that there was a joint meeting of the Chairs of the respective Chairs of Audit and Risk Committees on 16<sup>th</sup> November 2021 to discuss governance and assurance. The Chair of the RSB attended as did the Principal of the College.

At the time of signing the Financial Statements, consideration of the confidential matters in relation to governance issues is ongoing and Mr Hutchinson and Ms McIntyre remain in their Acting roles.

### **Further Developments**

Due to the impact of the coronavirus and the feeling that there should be a continuity of service to ensure that the issues and challenges raised would be followed up in the most efficient manner, it was agreed to extend the contract of Azets as internal audit providers by one year to July 2021. Following a competitive tender process, Henderson Loggie LLP have been appointed as internal auditors for four years from 4 November 2021.

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

The College has a five-year financial strategy and an updated three-year financial forecast to 2023/24 which was approved by the Board in November 2021. The five-year financial strategy is revisited annually and incorporated within our overall strategic plan. The figures from the approved five-year financial strategy are reflected within the Financial Forecast Return (FFR) which is submitted annually to SFC via the Regional Board. The College performs an annual self-assessment, outlining performance against key targets and performance indicators within the Regional Outcome Agreement.

### **Board Effectiveness**

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

## **Accountability Report**

### **Governance Statement (continued)**

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.

### **Review of Effectiveness of Internal Control and Risk Management**

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 systems are based on a framework of regular management information, administrative procedures and a system of delegation and accountability. This includes:

- 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;
- Quarterly reviews of the corporate risk register.

The College Board has recently approved a new approach to control and assurance arrangements to support its new approach to risk management, supported by advice from its Internal Auditors, following a review of financial controls and processes in-year (see p10 for detail) that was commissioned outwith their annual cycle. This report was dealt with separately by the Audit and Risk Committee as a standalone item. The systems are designed to manage, rather than eliminate, the risk of failure to achieve the College's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system has been in place for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements. The internal auditor has expressed the opinion that the Board did have adequate and effective risk management, control and governance procedures to manage its achievement of the College's objectives at the time internal audit work was undertaken. This report and opinion excluded the work undertaken as part of the separate investigation, which was standalone.

The Board of Management has responsibility for the College's 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;
- Comments made by the external auditors in their management letters.

A 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 individual colleges within the Region. Management from both colleges are members of the Group. The Group reports to the Audit & Risk Committee of the RSB, including reporting on the Governance Improvement Plan, whilst the College's own Audit & Risk Committee and its Risk Management Group both also receive and consider the reports produced by the Regional Group. As part of the RSB's oversight role, there is information flow between the RSB and SLC Committees.

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

## **Accountability Report**

### **Governance Statement (continued)**

#### **Data Security**

There were no significant lapses of data security during the year ended 31 July 2021. 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.

#### **Significant Issues**

During the financial year to 31 July 2021 and to the date of this statement, there have been a number of governance and control improvements suggested to the College and these have been accepted and introduced with the support and guidance of the College's Audit & Risk Committee, our Internal Auditors and the SFC. Further work will be progressed on these matters, including progressing the implementation of the management response and introducing a new Assurance Framework.

#### **Statement of Compliance with the 2016 Code of Good Governance**

As above, the College has benefitted from advice from its Internal Auditors and the SFC in relation to governance and control improvements; continues to engage with its ARC on assurance advice and with its Senior Independent Member on governance advice; has now received Board approval for the introduction of a new Assurance Framework, and work collectively with the support of the Board to comply with the principles of the 2016 Code of Good Governance for Scottish Colleges.

The College complies with all of the principles of the 2016 Code of Good Governance for Scotland's College with the exception of the following. The references made relate to areas of the Code where there has not been compliance. The College has taken action to address these issues and is fully compliant as at 10th March 2022.

**Legal minimum membership and the Audit Committee (C8 and C13):** As noted on p.25, there was a spell between 1 November and 4 November where the Board did not have its legal minimum membership due to the timing of various departures and arrivals and the planned Board meeting of 4<sup>th</sup> October was not held. The first full Board meeting after the year end was on 4<sup>th</sup> November. In consequence, the membership of the Audit and Risk Committee fell below the required level between 7 September and 4 November and the Audit and Risk Committee did not meet for regular business between May and November 2021.

**Availability of Minutes and the services of a Clerk to the Board (C7 and D13)** In addition, there has been a delay to the inclusion of Board and Committee agenda and papers being added to the website and in the formalising and approval of Board and Committee minutes due to the absence of the Interim Clerk to the Board.

**Induction (D19)** There was a delay to the induction due to the desire of the Board to have a face to face induction which was not possible at the time of joining due to Covid restrictions.

**Engagement with internal auditors (C14)** The delay in holding the Audit and Risk Committee also delayed the appointment of the new internal audit function meaning that there was a gap in provision between 1 August and 4 November 2021. The issue re the meetings of the Audit and Risk Committee has resulted in a delay in the production and approval of the Internal Audit Plan for 2021/22 but the Chair of the Committee, the Head of Finance and the head of the new Internal Audit providers have been in dialogue since December 2021. The Plan will be presented to the Audit and Risk Committee in May 2022.

With the exception of the above, the College has complied with the 2016 Code of Good Governance for Scottish Colleges throughout the year to 31 July 2021 and to the date of signing these financial statements.

#### **Conclusion**

On the basis of the assurances provided from the sources of assurance outlined above and via meetings with appropriate College executive and non-executive individuals, we can confirm that the College continues to invest in an approach of continuous improvement in relation to controls, risk and assurance arrangements to support the delivery of sound systems of governance, risk management and internal control, and to ensure compliance with the requirements of the 2016 Code of Good Governance and the relevant parts of the SPFM.

## Accountability Report

### Remuneration and Staff Report

#### Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2020/21 Government Financial Reporting Manual (FRM) issued by the HM Treasury.

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

#### Remuneration Policy

The College has a Remuneration Committee comprising the Chair of the Board of Management and the chairs of the committees which report to the Board. The Committee determines the salaries of all members of the College Senior Management Team.

#### Remuneration including salary and pension entitlements

The following table provides detail of the remuneration and pension interests of the Principals.

Name	Year ended 31 July 2021			Year ended 31 July 2020		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Aileen McKechnie	120-125	25-30	150-155	50-55	10-15	60-65
Stewart McKillop	-	-	-	85-90	15-20	100-105

The figures above represent the amount paid to the Principal in the 2020/21 year with the comparatives showing the amounts paid to the Principal from her appointment on 1 March 2020 and the amounts paid to the previous Principal to his retirement on 28 February 2020. The Principals 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 mid-point remuneration of the highest paid official in the organisation in the financial year 2020/21 was 2.95 times (2019/20 3.0 times) the median remuneration of the permanent workforce which was £42,357 (2019/20 £41,526). It should be noted that the median figure does not reflect the average salary of staff in the organisation; the median effectively reflects the top of the lecturing scale due to the significant number of College employees who receive this.

The College pays the Glasgow Living Wage (£9.50 per hour as of April 2021) as a minimum and thus the lowest salary expressed as an FTE is £17,290 with the highest salary being £125,000. The College received Living Wage Accreditation in 2016/17.

#### Accrued Pension Benefits

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

Both STSS and LGPS are 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.

## Accountability Report

### Remuneration and Staff Report (continued)

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 age at 31 July 2021	Accrued lump sum at pension age at 31 July 2021	Real increase in pension Year ended 31 July 2021	Real increase in lump sum year ended 31 July 2021	CETV at 31 July 2021	CETV at 31 July 2020	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aileen McKechnie	4	0	3	0	61	5	56

#### Cash Equivalent Transfer Value (CETV)

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

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

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

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

#### Real increase in CETV

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

#### Staff Numbers and Related Costs

Staff Numbers (Gross)		2020/21	2019/20		2020/21	2019/20
Staff on Permanent contracts	Numbers	294	301	Cost	£12,280k	£11,913k
Staff on Temporary contracts	Numbers	60	88	Cost	£1,056k	£1,390k
Male staff	Numbers	117	129			
Female staff	Numbers	237	260			

## Accountability Report

### Remuneration and Staff Report (continued)

#### Compensation for loss of office

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

#### 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 2021.

#### Relevant union officials

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

#### Percentage of time spent on facility time

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

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

Total cost of facility time:	£21k
Total pay bill:	£13.3m
Percentage of the total pay bill spent on facility time:	0.16%

#### Paid trade union activities

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

Expenditure on consultancy during the year was £11k (2019/20 - £2k).

#### Off-payroll Engagements

There were no off-payroll engagements during the year (2019/20 – nil).

#### Continuous improvement

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

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

#### Investors in People

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

## **Accountability Report**

### **Remuneration and Staff Report (continued)**

#### **Training and Development**

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

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

In addition, there is continual staff CPD activity throughout the year and staff are encouraged to continually seek opportunities to develop. All staff have a personal learning log that records all CPD activities undertaken. The College has a renewed focus on ensuring the provision of an engaging and effective employee journey, which is supported by ongoing, effective development of people managers to ensure the enablement of engagement, management and leadership practices. An Employee Survey took place in 2021 and action planning in response is currently in progress. The College has recently re-launched an automated Career Review process and provided manager training on performance feedback and coaching.

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

The College has a clear vision and strategy to promote equality, access and inclusion. This links with all aspects of our activity, as can be demonstrated by our strategic aim to promote equality and diversity.

As a Leader in Diversity since September 2014, we are committed to eliminating unlawful discrimination, harassment and victimisation, to advancing equality of opportunity and to fostering good relations. This recognises an effective, all-encompassing approach to managing equality, diversity and inclusion within the College. Working with Investors in Diversity has enabled the College to move beyond legal compliance and towards promoting and celebrating equality and diversity.

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

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

- Eliminate discrimination, harassment and victimisation;
- Advance equality of opportunity;
- Foster good relations.

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

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

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

The Equality Group is chaired by the College 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

## **Accountability Report**

### **Remuneration and Staff Report (continued)**

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.

We host an annual Equality & Choices Event which is run in conjunction with the Students' Association. A wide range of organisations attend the College, with information and activities available for students and staff.

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 lots of fun events including the College's own Pride Stride and movie night and attending Virtual Pride, though all this was curtailed during the pandemic.

The LGBT Silver Charter Mark Award helps demonstrate the positive work undertaken across the College to ensure that our learning environment is inclusive for everyone regardless of their gender identity or sexual orientation. The College seeks to be a community where everyone is treated with respect, fairness and understanding.

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

We work closely in partnership with LGBT Youth Scotland and other support agencies to promote inclusiveness, equality, and diversity.

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

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

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

### **Health and Wellbeing**

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

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

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

## **Accountability Report**

### **Remuneration and Staff Report (continued)**

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

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

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

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

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

- Prevention
- Support & Wellbeing Framework

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

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

### **Staff Absence**

Staff absence for year 2020/21 was 4.29% (2019/20 4.09%).

### **Equality Policy**

The South Lanarkshire College ethos statement, 'We believe in equality and diversity' confirms the commitment to placing this key issue at the forefront of all the College's work.

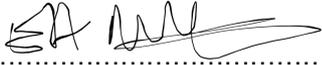
As a service provider and an employer, the College is committed to mainstreaming equality and aims to constantly promote equality in its work, and to strive to prevent discrimination of any kind.

The aim is to provide fair and equal opportunities to all learners, staff, stakeholders and partners. The College welcomes learners and staff from all backgrounds and actively seeks to promote equality and to eliminate discrimination harassment or victimisation.

South Lanarkshire College takes full account of the protected characteristics as defined in the Equality Act 2010.

## **Accountability Report**

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



.....  
**Liz McIntyre – Acting Principal**



.....  
**Paul Hutchinson – Acting Chair of the Board of Management**

**Date** 24 March 2022

**Date** 24 March 2022

# **SOUTH LANARKSHIRE COLLEGE**

## **Financial Statements for the year ended 31st July 2021**

### **Independent auditor's report to the Board of Management of South Lanarkshire College, the Auditor General for Scotland and the Scottish Parliament**

#### **Reporting on the audit of the financial statements**

##### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of South Lanarkshire College for the year ended 31 July 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College's affairs as at 31 July 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

##### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is six years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Emphasis of Matter: Material valuation uncertainty**

We draw attention to Note 24 of the financial statements, which discloses a material valuation uncertainty caused by Covid-19 declared in the valuation report for land and buildings. Our opinion is not modified in respect of this matter.

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

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

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

##### **Risks of material misstatement**

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

##### **Responsibilities of the Board of Management for the financial statements**

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

## **SOUTH LANARKSHIRE COLLEGE**

### **Financial Statements for the year ended 31st July 2021**

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 deemed inappropriate.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

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

##### **Opinion on regularity**

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

##### **Responsibilities for regularity**

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

#### **Reporting on other requirements**

##### **Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report**

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

##### **Statutory other information**

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

**SOUTH LANARKSHIRE COLLEGE**  
**Financial Statements for the year ended 31st July 2021**

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

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

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

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

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

**Use of our report**

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



Lucy Nutley  
For and on behalf of Mazars LLP

Apex 2  
97 Haymarket Terrace  
Edinburgh  
EH12 5HA

24 March 2022

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

## **Statement of Principal Accounting Policies**

### **Basis of Preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2015: 'Accounting for Further and Higher Education' and the 2018/19 Government Financial Reporting Manual (FReM) issued by the Scottish Government and in accordance with Financial Reporting Standards (FRS 102). The College is a public benefit entity and has therefore applied the public benefit requirements of FRS102. They conform to relevant parts of the Scottish Public Finance Manual (SPFM), the Accounts Direction and other guidance issued by the Scottish Funding Council.

### **Basis of Accounting**

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

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

### **Income recognition**

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

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

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

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

### **Grant Funding**

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

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

### **Donations and endowments**

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised in income in the SOCIE at the point when the College is entitled to the funds. They are subsequently retained within a restricted reserve until such time that expenditure is incurred in line with such restrictions at which point the income is released to unrestricted reserves through a reserves transfer. Donations with no restrictions are recognised in income in the SOCIE when the College is entitled to the funds.

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

## **Statement of Principal Accounting Policies (continued)**

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

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

### **Capital grants**

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

### **Fixed Assets**

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

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

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

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

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

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

### **Depreciation**

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

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

## **Statement of Principal Accounting Policies (continued)**

### **Stocks**

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

### **Accounting for Retirement Benefits**

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

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

### **Defined Benefit Schemes**

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

### **Strathclyde Pension Fund**

The Strathclyde Pension Fund is a pension scheme providing benefits based on pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the SOCIE represents the service cost expected to arise from employee service in the current period.

### **Scottish Teachers' Superannuation Scheme**

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the period.

### **Employment benefits**

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

### **Cash and cash equivalents**

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

## **Statement of Principal Accounting Policies (continued)**

### **Financial liabilities and equity**

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

### **Taxation**

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

### **Maintenance of Premises**

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

### **Operating Leases**

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

### **Reserves**

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

### **Provisions, contingent liabilities and contingent assets**

Provisions are recognised in the financial statements when:

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

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

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

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

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

### **Changes in accounting policy**

There were no changes in accounting policies in the year.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

		Year ended 31st July 2021	Year ended 31st July 2020
	Note	£000	£000
<b>Income</b>			
Scottish Funding Council grants	1	15,324	14,651
Tuition fees and education contracts	2	3,309	3,018
Other income	3	358	375
Donations and endowments	4	-	-
Investment income	5	-	1
<b>Total income</b>		<b>18,991</b>	<b>18,045</b>
<b>Expenditure</b>			
Staff costs	6	14,098	13,953
Other operating expenses	8	3,366	3,666
Interest and other finance costs	9	109	84
Depreciation	10	1,062	1,003
<b>Total expenditure</b>		<b>18,635</b>	<b>18,706</b>
<b>Surplus/(Deficit) before taxation</b>		<b>356</b>	<b>(661)</b>
Taxation	11	-	-
<b>Surplus/(Deficit) for the year</b>		<b>356</b>	<b>(661)</b>
Actuarial gain/(loss) in respect of pension scheme		2,127	(2,784)
Unrealised surplus on revaluation of land and buildings		17,370	-
<b>Total comprehensive loss for the year</b>		<b>19,853</b>	<b>(3,445)</b>
Represented by:			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		19,853	(3,445)
		<b>19,853</b>	<b>(3,445)</b>

All items of income and expenditure relate to continuing activities.

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

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

**SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2021

**STATEMENT OF CHANGES IN RESERVES**

	Income & expenditure reserve			Revaluation reserve	Total
	Endowment	Restricted	Unrestricted		
	£000	£000	£000	£000	£000
Balance at 1st August 2019	-	-	870	6,878	7,748
(Deficit) from the income & expenditure statement	-	-	(661)	-	(661)
Actuarial (loss) in respect of pension scheme	-	-	(2,784)	-	(2,784)
Transfer between revaluation and unrestricted reserve	-	-	2	(2)	-
Total comprehensive (loss) for the year	-	-	(3,443)	(2)	(3,445)
Balance at 1st August 2020	-	-	(2,573)	6,876	4,303
Surplus from the income & expenditure statement	-	-	356	-	356
Actuarial gain in respect of pension scheme	-	-	2,127	-	2,127
Unrealised surplus on revaluation of land and buildings	-	-	-	17,370	17,370
Transfer between revaluation and unrestricted reserve	-	-	2	(2)	-
Total comprehensive (loss) for the year	-	-	2,485	17,368	19,853
Balance at 31st July 2021	-	-	(88)	24,244	24,156

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### BALANCE SHEET

		As at 31st July 2021	As at 31st July 2020
	Note	£000	£000
<b>Non-current assets</b>			
Fixed assets	10	<u>51,404</u>	<u>34,034</u>
<b>Current assets</b>			
Stocks	12	8	8
Trade and other receivables	13	1,712	1,097
Cash and cash equivalents	19	<u>3,473</u>	<u>1,928</u>
		5,193	3,033
<b>Creditors: amounts falling due within one year</b>	14	<u>3,494</u>	<u>2,807</u>
<b>Net current assets</b>		<u>1,699</u>	<u>226</u>
<b>Total assets less current liabilities</b>		53,103	34,260
Less: Creditors - amounts falling due after one year	15	22,755	22,591
Less: Provisions for liabilities	16	<u>444</u>	<u>472</u>
<b>Net assets excluding pension liability</b>		29,904	11,197
<b>Net pension liability</b>	18	<u>5,748</u>	<u>6,894</u>
<b>TOTAL NET ASSETS</b>		<u><b>24,156</b></u>	<u><b>4,303</b></u>
<b>Reserves</b>			
Revaluation reserve		24,244	6,876
Income and expenditure account - unrestricted		(88)	(2,573)
Income and expenditure account - restricted		<u>-</u>	<u>-</u>
<b>TOTAL RESERVES</b>		<u><b>24,156</b></u>	<u><b>4,303</b></u>

The Financial Statements on pages 37 to 59 were approved by the Board of Management and authorised for issue on 24 March 2022  
and signed on its behalf by:

*Paul Hutchinson*

Paul Hutchinson - Acting Chair of the Board of Management

*Liz McIntyre*

Liz McIntyre - Acting Principal

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### STATEMENT OF CASH FLOWS

	Year ended 31st July 2021	Year ended 31st July 2020
	£000	£000
<b>Net cash inflow from operating activities</b>		
Surplus/(deficit) for the financial year	356	(661)
Adjustments for:		
Depreciation of tangible assets	1,062	1,003
Increase in creditors due within one year	631	147
(Increase)/decrease in debtors	(615)	148
Interest payable	109	84
Amortisation of deferred capital grants	(800)	(759)
Early retirement pension payments	(33)	(33)
Interest receivable	-	(1)
Pension cost less contributions payable	878	650
Cash from operations	1,588	578
Income taxes paid	-	-
<b>Net cash generated from operating activities</b>	<b>1,588</b>	<b>578</b>
<b>Cash flows from investing activities</b>		
Interest received	-	1
Purchases of tangible fixed assets	(1,062)	(513)
<b>Net cash flows from investing activities</b>	<b>(1,062)</b>	<b>(512)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1)	(1)
Government capital grants received	1,020	342
<b>Net cash flow from financing activities</b>	<b>1,019</b>	<b>341</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,545</b>	<b>407</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,928</b>	<b>1,521</b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>3,473</u></b>	<b><u>1,928</u></b>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### Notes to the Financial Statements

#### 1. SCOTTISH FUNDING COUNCIL GRANTS

	Year ended 31st July 2021	Year ended 31st July 2020
	£000	£000
SFC recurrent grant	13,890	13,138
SFC non recurrent grants - other	334	580
Release of government capital grants	690	649
FE and HE Childcare	410	284
<b>Total</b>	<b>15,324</b>	<b>14,651</b>

Note 17

#### 2. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31st July 2021	Year ended 31st July 2020
	£000	£000
UK Higher Education students	1,362	1,331
Non EU Higher Education students	51	27
UK Further Education students	1,158	866
SDS contracts	554	422
Other contracts	184	372
<b>Total</b>	<b>3,309</b>	<b>3,018</b>

#### 3. OTHER INCOME

	Year ended 31st July 2021	Year ended 31st July 2020
	£000	£000
Other revenue grants	158	181
Other income	90	84
Release of ERDF deferred capital grant	110	110
<b>Total</b>	<b>358</b>	<b>375</b>

Note 17

#### 4. DONATIONS

	Year ended 31st July 2021	Year ended 31st July 2020
	£000	£000
Donations with restrictions	-	-
Unrestricted donations	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2021

**Notes to the Financial Statements****5. INVESTMENT INCOME**

	Year ended 31st July 2021 £000	Year ended 31st July 2020 £000
Bank interest received	-	1

**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 2021 Number	Year ended 31st July 2020 Number
Teaching departments	140	142
Teaching services	58	56
Administration and central services	47	47
Premises	29	27
Other support services	7	8
<b>Total</b>	<b>281</b>	<b>280</b>

Analysed as:

Staff on permanent contracts	257	251
Staff on temporary contracts	24	29
<b>Total</b>	<b>281</b>	<b>280</b>

**Staff costs for the above persons:**

	Year ended 31st July 2021 £000	Year ended 31st July 2020 £000
Wages and salaries	10,291	10,278
Social security costs	952	958
Other pension expense - Employer contributions	1,977	1,960
Staffing costs prior to FRS102 pensions adjustment	13,220	13,196
FRS 102 pensions adjustment	878	650
<b>Total</b>	<b>14,098</b>	<b>13,846</b>
Teaching departments	7,944	8,085
Teaching services	1,795	1,629
Administration and central services	2,429	2,480
Premises	807	748
Other support services	245	254
	13,220	13,196
FRS 102 pensions adjustment	878	650
<b>Total</b>	<b>14,098</b>	<b>13,846</b>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### 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 April 2020 and 1st April 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 2021.

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 (2020: £0k).

##### Analysis of Staff Costs:

	Year ended 31st July 2021 £000	Year ended 31st July 2020 £000
Staff on permanent contracts	12,280	11,913
Staff on temporary contracts	940	1,283
	<u>13,220</u>	<u>13,196</u>
FRS 102 pensions adjustment	878	650
<b>Total</b>	<u><u>14,098</u></u>	<u><u>13,846</u></u>

#### 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 the Principal

Emoluments of the postholder during the year were as follows:

	Year ended 31st July 2021 £000	Year ended 31st July 2020 £000
Remuneration	125	140
Benefits in kind	-	-
	<u>125</u>	<u>140</u>
Employer's pension contributions	<u>29</u>	<u>28</u>

The above disclosure represents the salary of the Principal for the year. The comparative includes the salary of the previous Principal to 28 February 2020 and the current Principal from 2 March 2020. The Remuneration and Staff Report provides details for each of the post-holders during the prior year.

The Principal is the only employee deemed to fall under the definition of "key management personell". This is reflected in the analysis contained within the Remuneration and Staff Report.

The Principal is an ordinary member 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.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### 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 2021 Number	Year ended 31st July 2020 Number
£60,001 to £70,000	3	1
£70,001 to £80,000	2	2
£80,001 to £90,000	-	2
£90,001 to £100,000	-	1
£120,001 to £130,000	1	-
	<u>6</u>	<u>6</u>

The above figures for 2021 do not include the current or previous Depute Principal due to Ms McManus taking up post in December 2020, whilst Mr Allan retired in October 2020.

The above comparative figures do not include the current Principal due to Ms McKechnie taking up post on 2 March 2020. The previous Principal, Mr McKillop, was included within a different banding from usual for the reason.

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

Emoluments of these higher paid members of staff (excluding the current Depute Principal) were made up as follows:  
(for the academic year to 31 July)

	£000	£000
Salaries	479	485
Pensions contributions	108	105
Total emoluments	<u>587</u>	<u>590</u>

#### 8. OTHER OPERATING EXPENSES

	Year ended 31st July 2021 £000	Year ended 31st July 2020 £000
Teaching departments	720	800
Teaching support	243	280
Administration and central services	810	974
Premises	1,029	1,246
Other expenses	154	189
FE and HE Childcare	410	284
<b>Total</b>	<u>3,366</u>	<u>3,773</u>
<b>Administration and central services include:</b>	<b>£000</b>	<b>£000</b>
Auditors' Remuneration (including irrecoverable VAT)		
- Internal audit	37	20
- External audit	14	14
Rentals under operating leases - equipment	98	100

Included in other operating expenses above are agency staff costs of £116k (2020: £107k).

#### 9. INTEREST PAYABLE

	Year ended 31st July 2021 £000	Year ended 31st July 2020 £000
Bank interest	1	1
Net charge on pension scheme liabilities	108	83
<b>Total</b>	<u>109</u>	<u>84</u>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### 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 2020	1,000	34,763	135	419	1,329	2,496	40	40,182
Additions	-	816	-	40	206	-	-	1,062
Revaluation	1,710	12,026	1	-	-	-	-	13,737
<b>At 31st July 2021</b>	<b>2,710</b>	<b>47,605</b>	<b>136</b>	<b>459</b>	<b>1,535</b>	<b>2,496</b>	<b>40</b>	<b>54,981</b>
<b>Depreciation:</b>								
At 1st August 2020	-	2,757	135	380	837	1,999	40	6,148
Provided during the period	-	741	-	20	218	83	-	1,062
Eliminated on revaluation	-	(3,498)	(135)	-	-	-	-	(3,633)
<b>At 31st July 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400</b>	<b>1,055</b>	<b>2,082</b>	<b>40</b>	<b>3,577</b>

#### Net Book Value

<b>At 31st July 2021</b>	<b>2,710</b>	<b>47,605</b>	<b>136</b>	<b>59</b>	<b>480</b>	<b>414</b>	<b>-</b>	<b>51,404</b>
<b>At 1 August 2020</b>	<b>1,000</b>	<b>32,006</b>	<b>-</b>	<b>39</b>	<b>492</b>	<b>497</b>	<b>-</b>	<b>34,034</b>

#### **Net book value of assets financed by:**

SFC grants	2,389	33,758	136	36	258	267	-	36,844
EU capital grants	254	3,945	-	-	-	-	-	4,199
	2,643	37,703	136	36	258	267	-	41,043
Own funds	67	9,902	-	23	222	147	-	10,361
<b>At 31st July 2021</b>	<b>2,710</b>	<b>47,605</b>	<b>136</b>	<b>59</b>	<b>480</b>	<b>414</b>	<b>-</b>	<b>51,404</b>

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

	934	25,944	136	59	480	414	-	27,967
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Land and buildings were independently valued as at 31 July 2021 for the purposes of the financial statements by external valuers Ryden LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of RICS Valuation - Global Standards (The Red Book), January 2020 edition as published by the Royal Institution of Chartered Surveyors (RICS) and FRS 102. The valuation was undertaken on a fair value basis, with specialised properties valued by reference to depreciated replacement cost.

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

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### Notes to the Financial Statements

#### 11. TAXATION

The Board does not believe that the College is liable for any Corporation Tax arising out of its activities during the years ended 31st July 2020 and 31st July 2021.

#### 12. STOCKS

	As at 31st July 2021 £000	As at 31st July 2020 £000
Stocks for resale	4	4
Other stocks	4	4
<b>Total</b>	<u>8</u>	<u>8</u>

#### 13. TRADE AND OTHER RECEIVABLES

	As at 31st July 2021 £000	As at 31st July 2020 £000
Trade receivables	330	158
Other receivables	12	11
European funding	379	384
Prepayments and accrued income	991	544
<b>Total</b>	<u>1,712</u>	<u>1,097</u>

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

	As at 31st July 2021 £000	As at 31st July 2020 £000
Bank overdraft	-	-
Trade payables	120	120
Other taxes and social security costs	-	-
Other payables	9	9
Deferred income - restricted	400	349
Deferred income - Government capital grants (see note 17)	808	752
Accruals	1,707	1,217
Bursaries and Access funds for future disbursement or return to SFC	450	360
<b>Total</b>	<u>3,494</u>	<u>2,807</u>

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

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

	As at 31st July 2021 £000	As at 31st July 2020 £000
Deferred income - Government capital grants (see note 17)	22,755	22,591
<b>Total</b>	<u>22,755</u>	<u>22,591</u>

**SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2021

**Notes to the Financial Statements****16. PROVISIONS FOR LIABILITIES****Pensions costs arising from early retirements in prior years**

	Year ended 31st July 2021 £000	Year ended 31st July 2020 £000
<b>At 1 August 2020</b>	472	499
Charged to SOCIE	5	6
Expenditure during the year	(33)	(33)
<b>At 31st July 2021</b>	<u>444</u>	<u>472</u>

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

**17. DEFERRED INCOME - GOVERNMENT CAPITAL GRANTS**

	£000
<b>At 1st August 2020</b>	23,343
Additional grants	1,020
Release to Income and Expenditure Account	(800)
<b>At 31st July 2021</b>	<u>23,563</u>
Disclosed as follows;	
Amount falling due within one year	808
Amount falling due after one year	22,755
	<u>23,563</u>
<b>Source of Deferred Capital Grant</b>	
Sourced from SFC	19,364
ERDF Grant	4,199
<b>Total</b>	<u>23,563</u>
<b>Analysis of Release</b>	
Funded via SFC Grants & capital contributions	Note 1 690
Funded via ERDF Grants	Note 3 110
	<u>800</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 2021

### Notes to the Financial Statements

#### 18. PENSIONS

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

For support staff, the contribution payable by the College throughout the financial year to 31 July 2020 was 19.3% of pensionable salary. Support staff contribution rates were in a range of between 5.5% and 12.0% depending upon salary and terms and conditions of service. The same rates were in place for the previous financial year.

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

The total employer pension payments for the College were:	year ended 31st July 2021 £000	year ended 31st July 2020 £000
Contributions to STSS	1,418	1,418
Contributions to SPF	559	542
	<u>1,977</u>	<u>1,960</u>

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

	year ended 31st July 2021 £000	year ended 31st July 2020 £000
<b>Charged to staff costs</b>		
Current service costs	2,853	2,613
Past service costs	-	-
<b>Total charged to staff costs</b>	<u>2,853</u>	<u>2,613</u>
<b>Credit/(charge) for net return on pension scheme</b>		
Interest income	(204)	(305)
Interest cost	312	388
<b>Net interest charged</b>	<b>108</b>	<b>83</b>
<b>(Credit)/charge to other comprehensive income</b>		
Return on assets	(3,017)	650
Changes in demographic assumptions	(451)	-
Other experience	(772)	(80)
Gains and losses arising on changes in financial assumptions	2,113	2,214
<b>Actuarial loss/(gain)</b>	<u><b>(2,127)</b></u>	<u><b>2,784</b></u>
<b>Total charge/(credit) to the SOCI</b>	<u><b>834</b></u>	<u><b>5,480</b></u>

#### Scottish Teachers' Superannuation Scheme

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

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

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

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

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

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

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### Notes to the Financial Statements

#### 18. PENSIONS (continued)

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

##### Local Government Superannuation Scheme

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

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

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

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

##### Disclosures under FRS 102 of Defined Benefit Scheme

The following disclosures are required under FRS 102.

The valuation was updated by the actuary on an FRS 102 basis as at 31st July 2021 and 31 July 2020.

and the major assumptions used in the valuation and the updates were:

	Update at 31 July 2021	Update at 31 July 2020
Inflation / pension increase rate	2.85%	2.20%
Salary increases	3.55%	3.20%
Discount rate	1.60%	1.40%

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 upon the Fund's VitaCurves specifically tailored to the membership profile of the Fund. Improvements have been applied that are in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male years	Female years
Current pensioners	19.8	22.6
Future pensioners	21.2	24.7

Life expectancies for the prior period end are based on the Fund's 2017 valuation VitaCurves. The allowance for future improvements are in line with the CMI 2018 model, with long term rates of 1.5% p.a. for males and 1.25% p.a. for females.

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 2021 have been prepared by Hymans Robertson LLP.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### Notes to the Financial Statements

#### 18. PENSIONS (continued)

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

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

#### Information about the defined benefit obligation

	Liability split at 31 July 2021		Weighted average duration at last formal valuation *
	£000	%	
Active members	16,113	68.5%	24.4
Deferred members	3,452	14.7%	25.6
Pensioner members	3,971	16.9%	11.7
Total	23,536	100.0%	21.7

\* as at 31 March 2020

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### Notes to the Financial Statements

#### 18. PENSIONS (continued)

The movement in the funded part of the net pension liability for the year ended 31 July 2020 was as follows:

	Year ended 31 July 2020		
	Assets	Obligations	Net (Liability)/
	£000	£000	Asset £000
Fair value of employer assets	14,280	-	14,280
Present value of funded liabilities	-	(17,663)	(17,663)
<b>Opening position as at 1 August 2019</b>	<b>14,280</b>	<b>(17,663)</b>	<b>(3,383)</b>
Current service cost	-	(1,195)	(1,195)
Past service cost (including curtailments)	-	0	0
<b>Total service cost</b>	<b>-</b>	<b>(1,195)</b>	<b>(1,195)</b>
Interest income on plan assets	305	-	305
Interest cost on defined benefit obligation	-	(382)	(382)
<b>Total net interest</b>	<b>305</b>	<b>(382)</b>	<b>(77)</b>
<b>Total defined benefit cost recognised in SOCIE</b>	<b>305</b>	<b>(1,577)</b>	<b>(1,272)</b>
Employee contributions	166	(166)	-
Employer contributions	545	-	545
Benefits paid	(260)	260	-
<b>Total cash flows</b>	<b>451</b>	<b>94</b>	<b>545</b>
<b>Expected closing position</b>	<b>15,036</b>	<b>(19,146)</b>	<b>(4,110)</b>
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	-	(2,214)	(2,214)
Other experience	-	80	80
Return on assets excluding amounts included in net interest	(650)	-	(650)
<b>Total remeasurements in other comprehensive income</b>	<b>(650)</b>	<b>(2,134)</b>	<b>(2,784)</b>
Fair value of plan assets	14,386	-	14,386
Present value of funded liabilities	-	(21,280)	(21,280)
<b>Closing position as at 31 July 2020</b>	<b>14,386</b>	<b>(21,280)</b>	<b>(6,894)</b>

#### Projected defined benefit cost for the year to 31 July 2022

	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% of pay
Projected current service cost	-	(1,716)	(1,716)	(59.4%)
Interest income on plan assets	288	-	288	10.0%
Interest cost on defined benefit obligations	-	(389)	(389)	(13.5%)
<b>Total included in SOCIE</b>	<b>288</b>	<b>(2,105)</b>	<b>(1,817)</b>	<b>(62.9%)</b>

The valuation estimates that the Employer's contribution for the year to 31 July 2022 will be approx. £557,000.

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

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

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

#### Sensitivity analysis

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

Change in assumptions at 31 July 2021	Approximate % increase to Employer Liability	Approximate monetary impact (£000)
0.1% decrease in real discount rate	2%	542
1 year increase in member life expectancy	4%	941
0.1% increase in the salary increase rate	0%	50
0.1% increase in pension increase rate	2%	484

## **SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2021

### **Notes to the Financial Statements**

#### **18. PENSIONS (continued)**

##### **McCloud ruling**

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

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

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

In the prior year, the Strathclyde Pension Fund's actuary adjusted GAD's estimate to better reflect local assumptions and circumstances, particularly those for employer level salary increases and Fund level withdrawal rates. The revised estimate resulted in an increase to the liabilities (shown as a past service cost of £227,000 within the 31 July 2019 disclosures). No further adjustment was made for the McCloud ruling in the 31 July 2020 or 31 July 2021 disclosures.

##### **Guaranteed Minimum Pension (GMP)**

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

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

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

The estimated impact of GMP indexation was included in 2019 as an £11,000 increase to the past service cost and we continue to carry this element within our balance sheet in the year to 31 July 2021.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### Notes to the Financial Statements

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

	At 1st August 2020 £000	Cash Flows £000	Other Changes £000	At 31st July 2021 £000
Cash in hand and at bank	1,928	1,545	-	3,473
Bank overdraft	-	-	-	-
<b>Total</b>	<b>1,928</b>	<b>1,545</b>	<b>-</b>	<b>3,473</b>

#### 20. LEASE OBLIGATIONS

Total rentals payable for equipment under operating leases

	year ended 31 July 2021 £000	year ended 31 July 2020 £000
<b>Future minimum lease payments due</b>		
Within one year	27	37
Between 1 and 5 years	-	4
	<u>27</u>	<u>41</u>

#### 21. CAPITAL COMMITMENTS

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

#### 22. CONTINGENT LIABILITIES

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

#### 23. POST BALANCE SHEET EVENTS

There are no items occurring after the year end which require disclosure.

#### 24. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The College's land and buildings are revalued every 3 years unless there is evidence in a material movement in them. The College's land and building valuation as at 31 July 2021 includes a 'material valuation uncertainty' clause. The response to COVID-19 meant that property valuers were faced with an unprecedented set of circumstances on which to base a judgement. As at the valuation date, they considered that less weight could be attached to previous market evidence for comparison purposes to inform opinions of value. Their valuations are therefore reported on the basis of 'material valuation uncertainty' as per the "RICS Valuation - Global Standards effective from 31 January 2020". Consequently, less certainty, and a higher degree of caution, should be attached to their valuation than would normally be the case. For the avoidance of doubt, this does not mean that the valuation cannot be relied upon. Rather, the material uncertainty clause is used to be clear and transparent with all parties that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. The value of land and buildings that are subject to a 'material valuation uncertainty' is material to the financial statements.

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

Depreciation rates are subjective but are in line with sector norms. Rates are approved by the Finance and Resources Committee following advice from the Head of Estates. As a well maintained new college, impairment of fixed assets is not considered to be an issue.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### Notes to the Financial Statements

#### 25. RELATED PARTY TRANSACTIONS

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

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

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

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

Member	Organisation	Position	Purchases in the year	Balance at 31 July 2021
Mr C McDowall	Anderson Strathern LLP	Partner	£28,179	£3,600
Mr S Dillet	i dverde	Managing Director, Scotland & North	£18,569	£0

#### 26. IMPACT OF DEPRECIATION BUDGET ON STATEMENT OF COMPREHENSIVE INCOME

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

	year ended 31st July 2021 £000	year ended 31st July 2020 £000
(Deficit) / Surplus from SOCIE before other gains / (losses)	356	(661)
Add non cash budget to cover depreciation	197	197
(Deficit) / Surplus on Central Government accounting basis for academic year	<u>553</u>	<u>(464)</u>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2021

### Notes to the Financial Statements

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

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

	2020/21						2019/20
	Bursaries	FE	FE	EMA	HE	SFC	SFC
		Childcare	Hardship		Childcare	Total	Total
	£000	£000	£000	£000	£000	£000	£000
Grants received in period	2,988	184	926	81	226	4,405	4,234
B/fwd from previous year	-	-	-	-	-	-	48
Clawbacks re previous years	(245)	-	-	-	-	(245)	(46)
Virements to NCL	-	-	-	-	-	-	-
Internal virements	-	-	-	-	-	-	-
Disbursements to students	(2,293)	(184)	(926)	(81)	(226)	(3,710)	(3,876)
Funds from College	-	-	-	-	-	-	-
<b>C/fwd in Creditors - Note 14</b>	<b>450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>450</b>	<b>360</b>
<b>Analysis</b>							
Repayable to SFC	450	-	-	-	-	450	360
Retained for students	-	-	-	-	-	-	-
	<b>450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>450</b>	<b>360</b>

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

	2020/21		2019/20
	HE	SAAS	SAAS
	Hardship	Total	Total
	£000	£000	£000
Grants received in period	361	361	166
B/fwd from previous year	-	-	-
Clawbacks re previous years	-	-	-
Funds from College	15	15	19
Virements	-	-	-
Disbursements to students	(376)	(376)	(185)
Interest received	-	-	-
<b>C/fwd in Creditors - Note 14</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Analysis</b>			
Repayable to SAAS	-	-	-
Retained for students	-	-	-
	<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 2020-21**

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 2019-20 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
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  
3 June 2021

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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.