FINANCE AND RESOURCES COMMITTEE

NOTICE
There will be a meeting of the Finance and Resources Committee on Monday 21st August 2023 at 1730 hours via Microsoft Teams or in the Boardroom at South Lanarkshire College

AGENDA			
Agenda Item		**Paper**	**Lead**
01	**Apologies for Absence**		GP
02	**Declaration of any potential Conflicts of Interest in relation to any Agenda items**		
03	**Minutes of Previous Meetings** 18 May 2023	Y	GP
04	**Matters Arising from the Previous Meeting**		
05	**Matters for Approval**		
	5.1 Actuarial assumptions – accounts 2022/23	Y	HoF
	5.2 Financial Forecast Report (FFR) 2022/3 to 2025/26	Y	HoF
06	**Matters for Discussion**		
	6.1 Quarter 4 Management Accounts	Y	HoF
	6.2 Cashflow Report	Y	HoF
	6.3 Quarterly Update on Procurement	Y	HoF
	6.4 Quarterly Facilities Update	Y	P
	6.5 Accounts Guidance Documents attached: 6.5.1 Accounts Guidance issued by SFC 6.5.2 Accounts Guidance Notes 6.5.3 Good Practice Note issued by Audit Scotland	Y	HoF
	6.6 Draft annual workplan of the Committee	Y	HoF
07	**Matters for Information**		
	7.1 Consolidated Regional Accounts 2021/22	Y	HoF
	7.2 Capital Expenditure Plan	Y	HoF
	7.3 Schedule of Annual Finance-Related Reporting Requirements for the Board	Y	HoF
	7.4 College Infrastructure Plan	Y	HoF

09	**Any Other Business**		
10	**Summation of Actions and Dates of Next Meetings** • FRC – 27 November (joint meeting with ARC) • RSB Finance & Resources Comm. – 11 Sep 2023		

Key:

CFRC	Chair of the Finance and Resources Committee
P	Principal
GP	Governance Professional
HoF	Head of Finance
FA	Financial Accountant

South Lanarkshire College
East Kilbride

FINANCE AND RESOURCES COMMITTEE

MINUTES
Minutes of Meeting of Finance and Resources Committee on Thursday 18th May 2023 at 1730 hours via Microsoft Teams and in the Boardroom at South Lanarkshire College

Present

C Gibb – Committee Chair
S McManus – Principal
H Anderson

Clerked by P Scott – Governance Professional

In Attendance

K McAllister – Head of Finance
E McKechnie – Management Accountant
S. Gray – Trade Union Observer

01	**Apologies for Absence** D Morrison

	On a point of order, the Clerk confirmed that the meeting was quorate in a accordance with the revised Terms of Reference
02	**Declaration of any potential Conflicts of Interest in relation to any Agenda items** None intimated
03	**Minutes of Previous Meetings** • 16 February 2023 These were duly adopted. • Special meeting of the FRC – 19 April 2023 These were duly adopted
04	**Matters Arising from the Previous Meeting** None not covered under other heads of business
05	**Matters for Approval**
	5.1 Accounting Policies The Committee noted that management had reviewed the Accounting Policies for the preparation of the 2022/23 Financial Statements but had concluded that there was no reason for amendment albeit some minor wording changes, in respect of risk, suggested during discussion might be considered . The Committee accordingly approved the Accounting Policies as set out in the paper as presented and which is referred to for its detailed terms.

06	**Matters for Discussion**
	6.1 Quarter 3 Management Accounts The committee discussed fully the third quarter management forecast which is referred to for its detailed terms. The college was confident of meeting its credit target but SFC allow a 2% negative or positive tolerance. Despite savings, the forecast deficit is £381K which is approximately £37K better than budget. This reflects an increased in anticipated income and a reduction in salary costs. This however could change as and when the outstanding salary award is settled and even a modest 1% increase beyond projected rates would result in additional costs of £125K. the committee also noted that the figures did not factor in the outcome of the Job Evaluation Scheme. I response to questioning, management explained that the College had only modest reserves of around £120,000 as a result of the requirement for a balanced budget. As an **action point** management was tasked with identifying mechanisms for keeping the Board advised in what was a challenging time for the sector. Given that staff is the largest cost for any college and that other colleges have already indicated that they are considering redundancies, as an **action point** management should find a mechanism for reassuring staff that jobs are not at immediate risk and look at a mechanism through CQD / HRC for considering up-skilling . The Principal would take the lead on this but the Trade Union Observer would pass on the message to the Joint Trade Union Committee that there are no proposals for redundancy at this time

	6.2 Cashflow Report The committee considered the Report as tabled and noted the assumptions on the phasing of ringfenced capital spend. The forecast was that the College would have adequate working capital at the end of the financial year. There will be a drop in cashflow but earmarked funds are not under threat.
	6.3 Quarterly Update on Procurement The paper as tabled, and as referred to for its detailed terms, was duly considered. Eight contracts had been awarded, - five via APUC Frameworks, one via Open Tender and two via low value quick quote procedure. College management has been liaising with APUC which has provided an onsite APUC Supply Chain Manager. This has resulted in measurable savings which will be identified in the annual report. On a point of detail, the Committee wanted to explore whether or not the financial savings in stepping away from providing a laundry service on campus had been considered alongside sustainability targets . This was accepted as being a complex equation but the waste implications appeared to have been considered alongside reduction in energy consumption and water use / discharge.
	6.4 Quarterly Facilities Update The paper as tabled, and as referred to for its detailed terms, was duly considered and the committee noted that: 1. The intrusive External Building survey Work had been satisfactorily completed. 2. The reconfiguration of workrooms had commenced. 3. The Sustainability Charts as issued demonstrated SLC's environmental commitment. 4. Further capital work on space utilisation is being planned. 5. Progress continued to be made on service providers' RAG status. As an **action point** management should continue to explore funding opportunities and explore potential for best use of resources
07	**Matters for Information**

	7.1 Indicative Grant in Aid allocation The paper as presented, and as referred to for its detailed terms, was duly considered. In summary, the sector as a whole had faced a reduction in activity targets of 10%. This was compensated, a least to some extent, by an increase in the rate receivable per unit of activity giving a “flat cash settlement” but the region had also suffered an additional 0.75% reduction in activity which was not compensable. The Principal had sought, but not yet received, an explanation for this additional reduction of 0.75% There had been a significant increase in capital grant to offset the B Backlog Maintenance Grant – which was now no more – but the impact of this still had to be clarified. The split of the allocation as between NCL and SLC had still to be agreed but NCL favoured the option least favourable to SLC. On a point of information the Committee was advised that the ring fenced allocation – detail of which was not yet available – should be worth to the college somewhere around £106K / £107K The committee was seriously concerned about the overall implications – especially as the figures did not take into account the escalating cost of living or the pay awards currently being negotiated. The Committee suggested that management should explore the possibilities for accessing trust funding and the Principal confirmed that she was actively involved in a relevant Third Sector Forum. As an **Action Point** management was asked to convey to the Board a need to acknowledge the very considerable staff efforts in facing up to the various challenges being faced. A meeting with staff might be an appropriate vehicle tor this.
	7.2 Capital Expenditure Plan The Committee considered the paper as tabled and which is referred to for its detailed terms, The Committee was pleased to note the detail of the planned works and noted especially that there are currently sufficient earmarked funds to allow for completion of the capital projects outlined.
08	**Reserved items**
	8.1 Professional fees report The detail of professional fees is not publishable but the total amount will be disclosed in the Annual Accounts when published. In the interests of openness and transparency, however, it was appropriate to record that the investigation spend had totalled approximately £800K but this included the full salaries of suspended staff for 6 months when they had been medically unfit to participate alongside the salaries for temporary replacements

09	**Any Other Business** The Governance Professional spoke to a specially presented paper on the proposed Rolling Governance Review. The outline presented had been prepared with the support of the Internal Auditors and built on the successful completion of the Governance Improvement Plan. He wished it to be recorded that the successful completion was the result of a team effort by a partnership of Management and Governance – and what was now proposed he believed to be a sector leading initiative The intention was to work with the Internal Auditors to flesh out the outline and what was required - now or offline – were suggestions as to the topics which could usefully be included. All and every input would be welcome. He pointed out that the headings mirrored precisely the headings in the newly revised Code of Good Governance and that he was trying to consult as widely as possible within the College. In course of discussion it was suggested that key issues for continuous review could be:- • Identification of opportunities to address ongoing challenges caused by the proposed central funding model. • Exploration of the best use of College Resources to generate additional income.
10	Summation of Actions and Dates of Next Meetings Next meeting TBC Action Points as above minuted Next LRSB Finance & Resources Committee - 22 May 2023

FINANCE AND RESOURCES COMMITTEE

DATE	21 August 2023
TITLE OF REPORT	Review of Actuarial Assumptions, Strathclyde Pension Fund 2022-23
REFERENCE	5.1
AUTHOR AND CONTACT DETAILS	Elaine McKechnie, Financial Accountant
PURPOSE:	To request Committee agreement to actuarial assumptions used in the production of pension asset/liability valuations by Hymans Robertson for inclusion within the 2022-23 financial statements.
KEY RECOMMENDATIONS/ DECISIONS:	Members are asked to: • Assess the initial review of assumptions by the College Finance team for suitability. • Approve the use of standard assumptions outlined by the actuaries, Hymans Robertson.
RISK	• Non-compliance - pension valuations are required under Financial Reporting Standard FRS102 and SORP. • Good governance - management must assess assumptions used in the calculation of pension scheme obligations to ensure accurate financial records.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours

SUMMARY OF REPORT:	• College Finance encourage Committee members to accept the standard assumptions used by the Actuary, Hyman Robertson. • The rational for using standard assumptions is that: 1. The membership of the Scheme is like other organisations within the Strathclyde Pension Fund; 2. Salary increases are agreed nationally, not at a local level; 3. and the discount rate and CPI for pensions increase are both market derived which is reasonable. • Based on the above, there is very little room to make significant changes and while salary ***growth*** rates
	could differ between Colleges based on differing role requirements and staff turnover rates, we wouldn't advise a deviation in rate as this would have the least amount of impact on the figures in the report. • The Committee should note that the College has passed the assumptions to the external audit service and they have expressed the view that they are content with the appropriateness of the factors and indices used.

1. INTRODUCTION

This paper provides an overview of the assumptions used by the actuarial consultants engaged by the sector for the valuation of the Strathclyde Pension Fund assets and liabilities for disclosure within the annual statutory financial statements and, in purple font, the College's own internal assessment of those actuarial assumptions.

2 BACKGROUND

As part of the financial audit, the auditors, Audit Scotland, need to consider the College's internal assessment of actuarial assumptions.

○ The assessment made by the College must be evidenced and Management needs to be satisfied with the assumptions used. ○ Consideration by the College must be given to any relevant, regional or College specific demographic that may alter a disclosure in our financial statements.

3 DISCUSSION

The main actuarial assumptions to be used in the 2022-23 pension fund valuation are as follows:

Discount Rate

FRS102 states that the discount rate used to place a value on the obligations should be determined by reference to market yields on high quality corporate bonds at the reporting date. The currency and term of the high-quality corporate bonds used to set the discount rate should be consistent with the currency and term of the obligations.

The College Finance team view is that the rate is a market-based assumption and there is very little room to make change to this rate. There is no justification for making any changes to this at a local level.

Pension Increases (CPI)

Pension assumptions set in line with CPI. As market in CPI linked bonds does not exist, Hymans estimate the long term gap between RPI and CPI to derive a CPI assumption. Their estimate is based on analysis of past and emerging future trends in gap in these indices and provides an average gap for each of the durations.

The College Finance team believe this to be a reasonable assumption at Fund level. The Actuary is best placed to analyse trends. Pensions are set by the Strathclyde Pension Fund not at local council level and therefore it is reasonable and appropriate to use a national growth / inflation rate in anticipating growth in pensions nationally.

Salary Growth

Default assumption is set relative to the derived CPI assumption at the reporting date using the same methodology as the latest funding valuation for the Strathclyde Pension Fund and other LGPS funds.

This assumption is reasonable and ensures consistency. Pay Award is set at a national level for all college's so ensures consistency of approach. It is also consistent with triennial valuation assumptions. This is an area where the college could adjust assumption by a large amount (if appropriate) but it would have the smallest impact on the liability figures. **Longevity Assumptions**

Setting appropriate life expectancies remains a key assumption for accounting disclosures, particularly as the country deals with the ongoing impact of the pandemic and the cost-of-living crisis. Allowance has been made for the latest available life expectancy improvement tables with appropriate parameters to capture the latest available longevity data.

We are unable to accurately predict death rates at a local level. The use of the national statistic available to all pension funds ensures consistency in approach.

Other Demographic Assumptions

This includes assumptions around commutation, withdrawal and ill-health retirements. Hymans Robertson use the same demographic assumptions as the latest funding actuarial valuation.

This is at a Fund level, not a local level. The College Finance team have considered the appropriateness of these assumptions since the last triennial review and do not consider that any significant withdrawals from the scheme or ill-health retirements need to be taken into consideration that might change any assumptions.

4 RESOURCE IMPLICATIONS

Consideration of actuarial assumptions by the College is standard practise each year during the production of the annual pension obligation statement for disclosure in the financial statements.

The College is invoiced for the provision of their actuarial services annually, as is required under accounting standard FRS102.

The standard FRS102 report cost for 2022-23 is £350 + VAT (£420) and based on the likely pension asset position for the College (based on general market conditions), Audit Scotland have confirmed that they will also require sight of the asset ceiling calculation from Hymans Robertson at an additional £1,100 + VAT (£1,320).

5 EQUALITIES

All members of staff are eligible to join the appropriate superannuation scheme for their category of staff (i.e. lecturing or support) and are encouraged to do so. Staff are automatically enrolled into the appropriate scheme, but can decide to opt out. There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report. It is simply important that the pension assets and liabilities are valued appropriately for the benefit of all staff.

6 RISK AND ASSURANCE

Financial Reporting Standard FRS102 and the SORP require institutions to recognise an estimate of its pension obligations in their financial statements. Failure to devise and assess suitable assumptions and measurements of pension assets and liabilities would put us at risk of non-compliance and failure to undertake management responsibilities in relation to maintaining accurate financial records.

Annual calculations of pension obligations and triennial fund valuations help to assess pension fund performance and bring awareness to those risks however the College cannot directly influence or mitigate any risks associated with the scheme.

In terms of the pension scheme, there are several risks:

- **Longevity risk** – pension schemes need to pay income to beneficiaries for longer periods of time due to longer life expectancies.
- **Investment risk** – poor investment returns meaning insufficient funds for beneficiaries; and
- **Drawdown risk** – multiemployer pension plans could run out of money (such as a Local Government Pension Scheme like the Strathclyde Pension Fund).

The reporting of these risks ultimately sits with Hymans Robertson, professional actuarial advisors to the College. Employing the services of a qualified actuary also gives the College the most informed and consistent measurement of scheme assets and liabilities possible. The management of investment and drawdown risks ultimately rests with those charged with managing the funds and getting the funding strategy right is critical to the achievement of this.

7 RELIANCE ON PROFESSIONAL ADVISORS

It is worth noting that we rely heavily on the actuary’s technical expertise in devising suitable assumptions for the valuation of the pension assets and liabilities. While the actuaries would accept a challenge from the College to any assumptions made, it would not be common practice for us to question or doubt these assumptions as we take the view that as contracted advisors to the College, their assumptions will be the most appropriate. We can also take comfort from the view of our external auditors, Audit Scotland, that they are content with the approach taken, and the indices and factors used, by Hymans Robertson.

A full guide to actuarial assumptions as produced by Hymans Robertson is attached to this memo.

8 RECOMMENDATIONS

Committee Members are recommended to:

- note the contents of this report and the initial assessment performed by College Finance as to the appropriateness of actuarial assumptions; and

- agree that the assessment performed by College Finance is appropriate and conclude that no changes to key assumptions is required.

HYMANS ROBERTSON

Briefing note

Local Government Pension Scheme accounting as at 31 July 2023
Key considerations, employer options and assumptions

Craig Alexander FFA
Head of LGPS Accounting

Adrian Loughlin FFA
LGPS Accounting Delivery Lead

Key considerations for July 2023

Potential accounting surplus

The majority of LGPS employers at 31 July 2023 are likely to see a net asset position in the FRS102 balance sheets at 31 July 2023.

High UK corporate bond yields result in high accounting discount rates which are likely to place a significantly lower value on the pension obligations compared to last year's accounts. You, and your auditors should prepare in advance for a potential net asset and decide on the likely accounting treatment to follow for your own accounts, which unfortunately is not quite as straightforward as when there is a net liability.

Under FRS102, a net asset restriction may apply and the accounting treatment may differ depending on factors such as your own accounting policies, whether you are open to new LGPS members, the level of cash contributions you pay etc.

To help with this complex issue, you can request an asset ceiling calculations paper (Enhanced Service -Option 3) to be carried out alongside your FRS102 report. From advance and comprehensive discussions with a wide range of LGPS auditors about what is required to determine an asset ceiling within the LGPS, it is our understanding that this additional employer specific information is likely to be required by employers and auditors and we are therefore recommending this paper is requested. Note this paper will only be carried out if the closing accounting position shows a surplus.

Impact of the 10.1% pension increase order

There is one known event that will serve to offset some of the above positive balance sheet movement from the high discount rates. LGPS benefits (in payment and those accruing) have increased by 10.1% in April 2023, in line with government past practice of linking the annual Pensions Increase Order to the CPI figure from the preceding September. This is a significant annual increase and far higher than any assumption built into accounting figures last year. Following requests from employers and auditors, we are able to provide an additional monetary impact figure within the balance sheet results to aid your understanding of this significant item for 2022/23. However, as there is no triennial funding valuation impact in 22/23 for Scottish LGPS Funds, the majority of the 'other experience' item on the Obligations (or all of the item if no unfundeds) will be the impact of the 10.1% coming through onto the balance sheet.

Triennial funding valuation impact

The annual accounting reports are typically estimates which are rolled forward from the latest triennial funding valuation position of each employer. General accounting rollforward methodologies can introduce differences due to estimation techniques the further on we are from the latest triennial valuation date. For example, the July 2022 accounting results for most employers will be based on the triennial funding valuation results from 31 March 2020.

The above will not change until 31 July 2024 accounting as the new results from the 31 March 2023 triennial funding valuation are not yet available to use as the starting point for the July 2023 accounting calculations.

Assumption setting

The pension figures, in both the balance sheet and revenue account, are heavily dependent on the choice of assumptions. Crucially, as directors of the organisation, it is your responsibility to set assumptions that best reflect the characteristics of your organisation. The Assumptions section of this briefing note sets out details of our default financial and demographic assumptions and we strongly recommend that you consider the suitability of the assumptions to your specific organisation.

There are several options available to employers who wish to pursue alternative assumptions which might be more suitable for your organisation. For further assistance in this area, please highlight this to us in your accounting request submission or alternatively contact LGPSCentralAccountingTeam@hymans.co.uk directly for more information.

Employer options

Before or after receiving your results, you and/or your auditor can arrange for a call with the actuary to discuss any aspect of the accounting process.

In addition, the following employer specific options are available to you and your auditors to enhance understanding of your specific results and ease explanation of your results to all interested stakeholders. These options (which come at an additional cost) can be selected within your accounting request submission:

Enhanced Service 1 – Supplementary paper

Alongside receipt of your FRS102 report, you are able to request an additional supplementary paper explaining the key movements on your specific numbers over the year. This would include the financial impact of all the different market movements and other changes on your 31 July 2023 FRS102 assets and obligations (compared to 31 July 2022). The paper aids understanding of your own figures and helps with questions from your finance team, committees and auditors.

Enhanced Service 2 - Slide deck and accompanying script

Alongside receipt of your FRS102 report, you are able to request a slide deck and accompanying script to enable easy presentation of your specific results to committees/boards/directors. The slides and script summarises all your organisation's key accounting figures and breaks down all the movements that have taken place within your own disclosures in 22/23.

Enhanced Service 3 – Asset ceiling calculation paper (where an accounting surplus exists)

Alongside receipt of your FRS102 report, you are able to request an asset ceiling commentary, considerations and calculations paper (noting it will only be produced if the 31 July 2023 balance sheet position shows a surplus). This will set out a number of potential asset ceiling calculations, how they would impact the closing balance sheet and the different factors that could determine which approach you can follow as an employer.

From advance and comprehensive discussions with a wide range of LGPS auditors about what is required to determine an asset ceiling within the LGPS, it is our understanding that this information is likely to be required by auditors and we are therefore recommending this paper is requested.

If you have any questions on these options or would like arrange a call with the actuary, please do not hesitate to contact our accounting specialists direct on LGPSCentralAccountingTeam@hymans.co.uk

Assumptions

From listening to LGPS employers, we understand the importance of the pension figures disclosed in your accounts and that they can have a material impact on your ability to carry out your normal business function.

The pension figures, in both the balance sheet and revenue account, are heavily dependent on the choice of assumptions. Crucially, as directors of the organisation, it is your responsibility to set assumptions that best reflect the characteristics of your organisation.

As the actuary to the LGPS fund in which you participate, we provide a set of default accounting assumptions for a 'typical LGPS employer'. The approach to our default assumption setting applies to all accounting disclosures (unless otherwise stated) and the broad methodology is discussed in advance with the National Audit Office, Audit Scotland and Wales Audit Office. Whilst we propose default assumptions for LGPS employers, the accounting assumptions adopted are ultimately the responsibility of your organisation's directors (or equivalent) based on actuarial advice. And in recent years, we expect auditors to challenge management about the assumptions chosen for their disclosures.

We therefore recommend that you consider the suitability of the default assumptions to your specific organisation. It is up to you to determine how to proceed with the choice of assumptions given the relative importance of the LGPS accounting figures to your organisation's own circumstances.

Indicative default assumptions (based on market conditions as at 31 May 2023)

This table shows our default financial assumptions at 31 May 2023, based on the below methodology explanations. Our default assumptions used for the 31 July 2022 exercise are also shown for comparison purposes.

	31 July 2022		31 May 2023	
Duration category (see below)	**Discount rate**	***(RPI)* CPI**	**Discount rate**	***(RPI)* CPI**
Short	3.45%	*(3.30%)* - 2.80%	5.30%	*(3.20%)* - 3.00%
Medium	3.50%	*(3.15%)* - 2.75%	5.25%	*(3.20%)* - 3.00%
Long	3.50%	*(3.10%)* - 2.70%	5.25%	*(3.10%)* - 2.95%

Discount rate

FRS102 states that the discount rate used to place a value on the obligations should be determined by reference to market yields on high quality corporate bonds at the reporting date. In addition, the currency and term of the high-quality corporate bonds used to set the discount rate should be consistent with the currency and term of the obligations.

Corporate bond yield curve

Government bond yield curves are updated and available on a daily basis from the Bank of England. It is therefore relatively easy to identify a spot yield on Government bonds at any duration and at any date. Unfortunately, a similarly accessible corporate bond yield curve is not so readily available. We have adopted an approach to setting the discount rate whereby a "Hymans Robertson" corporate bond yield curve is constructed based on the constituents of the iBoxx AA corporate bond index.

Weighted average duration

The discount rate should reflect the 'term' of the benefit obligation. We have interpreted 'term' to be the weighted average duration of the benefit obligation. This is broadly defined as '*the weighted average time until payment of all expected future discounted cashflows, determined based on membership and the financial and demographic assumptions at a particular time*'.

With increased divergence of LGPS employers, the weighted average durations of individual employers are different and therefore different financial assumptions are adopted for accounting purposes. Our default assumption approach sets out 3 separate discount rates (and corresponding RPI/CPI inflation assumptions) for employers who fall into each duration category below:

Weighted average duration at most recent actuarial valuation	Duration category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

Retail prices index

This assumption is typically derived from yields available on fixed interest and index linked government bonds and should be consistent with the derivation of the discount rate. We use a market implied inflation curve over a range of maturities. Cashflow weighted single RPI rates are derived from the market implied inflation curve that recognise the weighted average duration of each corresponding duration category defined above.

Based on 31 May 2023 market conditions, these RPI rates have then been adjusted to take account of an Inflation Risk Premium (IRP) of 0 basis points (bps) pre 2030 and 30bps post 2030. This gives an average IRP of 20bps over short and medium durations and 25bps over long durations.

Pension increase (CPI)

For the CPI assumption as at 31 May 2023, we have used an RPI-CPI gap of 100bps pre 2030 and a gap of 10bps post 2030. The former reflects differences between RPI and CPI pre 2030 and the latter reflects differences between CPI and CPIH post 2030 (when RPI will become aligned with CPIH). The resulting average RPI-CPI gap is 0.40% over short durations, 0.35% over medium durations and 0.30% over long durations.

The above gives CPI assumptions of 2.80%, 2.85% and 2.80% at short, medium and long durations respectively.

However, we have adjusted the CPI assumption to recognise that the 2024 Pension Increase Order is currently expected to be higher than the single CPI assumption set for accounting purposes as at 31 May 2023. Specifically, the increase in the CPI index over the 7 months from September 2022 to April 2023 is 5.3%. Following this adjustment, our final standard CPI assumptions are 3.00% at short and medium durations and 2.95% at long durations.

Salary growth

Our default assumption for salary growth is set relative to the derived CPI assumption at the reporting date using the same methodology as the latest funding valuation for the LGPS fund(s) in which you participate. Further details on the Fund's salary growth assumption relative to CPI can be found in the actuarial funding valuation reports (publicly available on each LGPS fund's website).

Longevity assumptions

Setting appropriate life expectancies remains a key assumption for the accounting disclosures, particularly as the country deals with the ongoing impact of the pandemic and the cost-of-living crisis. As per last year and in line with best practice, we will make allowance within the accounting disclosures for the latest available life expectancy improvement tables with appropriate parameters to capture the latest available longevity data.

Other demographic assumptions

These include assumptions for commutation, withdrawal, ill-health early retirements, etc. We gathered data on recent experience of LGPS funds in order to set appropriate demographic assumptions for the previous formal triennial funding valuation and adjusted appropriately for any local differences within each LGPS Fund. Our default approach will be to use the same (non-longevity) demographic assumptions for accounting purposes as at the latest funding actuarial valuation of each LGPS fund. Collectively, these demographic assumptions are intended to be best estimate.

South Lanarkshire College East Kilbride

FINANCE & RESOURCES COMMITTEE

DATE	21 August 2023
TITLE OF REPORT	Financial Forecast Report (FFR) 2022/23 to 2025/26
REFERENCE	5.2
AUTHOR AND CONTACT DETAILS	Keith McAllister, Head of Finance Keith.Mcallister@slc.ac.uk
PURPOSE:	To provide the Committee with the projection for the academic years to 31 July 2024, 31 July 2025 and 31 July 2026 in the format required the Scottish Funding Council (the Financial Forecast Return (FFR)). The figures reflect the Budget as presented to the Board in June 2023, the first year of which was approved.
KEY RECOMMENDATIONS/ DECISIONS:	Members are asked to: • Note that the FFR reflects what was presented to the Board in June 2023 in respect of the Budget 2023-24 and this paper is thus for information only. • Note the comments made and the financial and cash position at the end of the period of review.
RISKS	• The College cannot maintain financial sustainability. • There are insufficient funds for capital project and maintenance requirement; • By not presenting the FFR document to the Board, there is a failure of Corporate Governance arrangements.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours

SUMMARY OF REPORT:	The FFR for the College paints a bleak picture against the backdrop of a reduction in committed funding from the Scottish Funding Council and the pressure placed on cashflow across the Scottish college sector over the forthcoming period. With funding cuts and activity target reductions, the College is forecasting deficits for the next 3 years: 2023-24: £761k deficit 2024-25: £1,904k deficit 2025-26: £2,443k deficit
	Similarly, the College foresees substantial reduction to its cash position: 2023-24: £2,249k 2024-25: £957k 2025-26: £(866k) overdrawn. It is worth noting that even when assuming a 3% salary award for 2022/23, the College will be required to drawdown significantly on its cash reserves and this will seriously impact investment and operation going forward if no further action is taken to enforce savings. Members should also note that SFC has instructed the sector to assume no increase in recurrent grant in aid over the period covered by the Return. No indication has been given as to how this will be achieved to allow the sector to deal with this should it not be effected by a further decrease in activity targets. Members will be aware that South Lanarkshire College achieves its activity target each year and the decrease in target is, by extension, reducing what the College can offer to potential students; further decreases in activity would be extremely detrimental to both staff and the local community.

1. INTRODUCTION

This paper provides an overview of the Financial Forecast Report (FFR) as produced for the Scottish Funding Council, containing 3 annual forecasts from 2023-2026.

2 BACKGROUND

The Board approved a draft deficit budget for 2023-24 as the most realistic assumption for the College but instructed College management to actively seek further savings in year and present a plan to reduce the deficit budget for 2024-25. Nevertheless, the FFR for 2024-25 and 2025-26 assume that SFC capital grants will be at 2023/24 levels and, importantly, recurrent grant in aid will not increase in cash terms. Similarly, with pressures on staff costs because of national bargaining exercises that are still pending, it is unrealistic to present anything other than further deficits based on current staffing levels. The Principal has requested time to review the best structure for the College before making any future decisions that might impact on College operations. The FFR presented is deemed to be the most accurate reflection of the College's future financial affairs should there be no course of action taken to remedy it.

3 DISCUSSION

The FFR contains more detailed projections for income and expenditure for 2023-24, with a Statement of Changes in Equity (SOCIE) and Balance Sheet for an additional two years to 2026.

2023-24 income will reduce due to HE activity and fee decreases and a reduction in grant in aid. These reductions are also expected to impact on the subsequent two years. In 2023-24 expenditure, where possible, has been shown as a 10% cut on actual spend to mirror the activity target cuts. However, known, overhead increases have been built in where required as a result of higher material, utility prices as a result of the cost-of-living crisis. Furthermore, the base 10% reduction in expenditure cannot be applied to staff costs which will be negatively impacted by on-going national bargaining efforts which are likely to erode cash reserves once fully settled.

For more information on variances presented within the FFR, please refer to the report attached.

4 EQUALITIES

There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

5 RISK AND ASSURANCE

This is on the front cover as well, so suggest retaining if further detail is required.

6 RECOMMENDATIONS

Members are recommended to:

- Note the contents of this report and its attachments.
- Note that the budgets shown on the FFR for the latter two years of the projection were not approved by the Board.

Financial Forecast Return June 2023

College	South Lanarkshire College
Contact	Elaine McKechnie
Telephone	0135580 7346
Email:	elaine.mckechnie@slc.ac.uk

DECLARATION:	The attached worksheets represent the financial forecasts for the College. They reflect a financial statement of our academic and physical plans from 2022-23 to 2025-26. Adequate explanations have been provided where requested on the return. The worksheets and their underpinning assumptions have been reviewed and approved by the Board of Management in accordance with their agreed practices. In preparing this financial forecast the College has fully considered the financial implications of all aspects of its strategy and has properly reflected these in the forecast.

Signed: Stella McManus

Principal/Chief Executive Officer

Date: 01-Aug-23

South Lanarkshire College

	Forecast 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26

	ANNUAL STAFFING EFFICIENCIES (savings reflected in FFR)	FTE	FTE	FTE	FTE
1	FTE Staff reduction - vacancy management	2	2	0	0
	FTE Staff reduction - voluntary severance (related restructuring costs to be set out in section 2 below)	0	0	0	0
	FTE Staff reduction - compulsory redundancy (redundancy costs to be set out in section 2 below)	0	0	0	0
	Staff reduction - total	2	2	0	0
		£000	**£000**	**£000**	**£000**
2	Voluntary severance costs	0	0	0	0
	Compulsory redundancy costs	0	0	0	0
	Total	0	0	0	0
	CHECK - Staff restructuring costs per SOCIE	0	0	0	0
3	**NON-STAFF COST EFFICIENCIES (savings reflected in FFR)**	0	185	185	185

4 **Please provide further details in the boxes below.**

4a Staffing reductions - impact on curriculum and mitigating actions:

The College intends to deliver its credit targets in full albeit incorporating the reduction in funded provision of 11% that has been imposed for 2023/24. This reduction will be effected through changes made via the recent review of the curriculum. The intention will be to mamise class sizes within a reduced number of courses to maximise efficiency.

A new budgeting and deployment model has been introduced with the target being to retain all permanent staff in 2023/24, redeploying where at all possible, and reducing the temporary lecturing accordingly. Additionally, the need to replace any posts being vacated through natural wastage will be fully considered before any decision is made to fill the vacancy. The default position will be not to fill the position.

Whilst there is no plan for the introduction of a VS scheme in 2023/24, this will be reviewed prior to the setting of the 2024/25 budget in light of the financial position at March / April 2024. This is a position which the Board of Management is comfortable with.

4b

Other mitigating actions: Note that the explanatory section extends below the box as it appears here.

As per the draft budget June Board paper the following was considered and approved:

The scenarios below demonstrate the impact of the potential pay increases and settlements above the budgeted 3%. (Note that the job evaluation exercise for all support staff has not been completed and no further accrual of costs to be borne by the College in this regard have been incorporated into the 2023/24 forecast.)

Scenario Planning

(a) 3.0% at 1 Sep 2022 and 3.0% at 1 Sep 2023 Recurrent
Salary costs £13,507k Deficit £761k

(b) 5.0% at 1 Sep 2022 and 5.0% at 1 Sep 2023
Recurrent Salary costs £14,086k Deficit £1,340

Pension Assumptions	2022-23	2023-24	2024-25	2025-26	2022-23	2023-24	2024-25	2025-26

Employer Contributions	£000	£000	£000	£000	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation
STSS	1,464	1,435	1,542	1,596	As paid.	Assuming no increase in contribution rates.	Assuming no increase in contribution rates.	Assuming no increase in contribution rates.
SPF	650	621	668	691	As paid.	Assuming no increase in contribution rates.	Assuming no increase in contribution rates.	Assuming no increase in contribution rates.
Other pension schemes - please state which scheme	N/A							
Other pension schemes - please state which scheme	N/A							
Total		2,114	2,056	2,210	2,287			

South Lanarkshire College

Statement of Comprehensive income and expenditure (Consolidated)

	Actual 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000	Forecast 2024-25 £000	Forecast 2025-26 £000	2021-22 - 2022-23 %	2022-23-2023-24 %	2023-24 - 2024-25 %	2024-25 - 26 %	Explanation for variance 2025-
INCOME										
Tuition fees and education contracts	3,319	2,871	2,510	2,616	2,635	-13.5%	-12.6%	4.2%	0.7%	HE activity & fees decreasing in 22/23 and 23/24
Funding council/RSB grants	15,578	15,471	15,461	15,284	15,284	-0.7%	-0.1%	-1.1%	0.0%	Assumption that SFC capital grants will be at 2023/24 levels and recurrent grant in aid will not increase in cash terms.
	0		0	0	0	61.4% - 100.0%	31.5%	-25.0%	4.0%	Includes ALF income in 2024/25 and 2025/26 (exp. Conta under "other operating expenses2)
Research grants and contracts		0								
Other income	236	381	501	376	391					
Investment income	1	0	0	0	0					
Total income before donations and endowments	**19,134**	**18,723**	**18,472**	**18,276**	**18,310**	-2.1%	-1.3%	-1.1%	0.2%	
Donations and endowments	0	0	0	0	0					
Total income	**19,134**	**18,723**	**18,472**	**18,276**	**18,310**	-2.1%	-1.3%	-1.1%	0.2%	
EXPENDITURE										
Staff costs	14,725	14,102	13,714	14,740	15,250	-4.2%	-2.8%	7.5%	3.5%	2024/25 - compound impact of salary awards and job evaluation settlement
Staff costs - exceptional restructuring costs	0	0	0	0	0					
Exceptional costs - non-staff	0	0	0	0	0					
Other operating expenses	3,705	3,696	4,091	4,012	4,075	-0.2%	10.7%	-1.9%	1.6%	College is mantaining a strategic investment fund which will be expended in 2023/24 to support sustainability initiatives.
Donation to Arms Length Foundation	500	0	0	0	0	-100.0%				Unlikely to be further donations to the Foundation.
Depreciation	1,306	1,428	1,428	1,428	1,428	9.3%	0.0%	0.0%	0.0%	
Interest and other finance costs	102	0	0	0	0	-100.0%				
Total expenditure	**20,338**	**19,226**	**19,233**		**20,753**	-5.5%	0.0%	4.9%	2.8%	
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	**(1,204)**	**(503)**	**(761)**	**(1,904)**	**(2,443)**	-58.2%	51.3%	150.2%	28.3%	
Gain/(loss) on disposal of fixed assets	0	0	0	0	0					

Gain/(loss) on investments	0	0	0	0	0				
Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0				
Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0				
Surplus/(deficit) before tax	**(1,204)**	**(503)**	**(761)**	**(1,904)**	**(2,443)**	-58.2%	51.3%	150.2%	28.3%
Other taxation	0	0	0	0	0				
Surplus/(deficit) for the year	**(1,204)**	**(503)**	**(761)**	**(1,904)**	**(2,443)**	-58.2%	51.3%	150.2%	28.3%
Unrealised surplus on revaluation of land and buildings	0	0	0	0	0				
Actuarial (loss)/gain in respect of pension schemes	0	0	0	0	0				
Other comprehensive income	0	0	0	0	0				
Total comprehensive income for the year	**(1,204)**	**(503)**	**(761)**	**(1,904)**	**(2,443)**	-58.2%	51.3%	150.2%	28.3%

South Lanarkshire College

				Actual 2021-22	Forecast 2022-23	Forecast 2023-24	2021-22 - 2022-23	2022-23- 2023-24	Explanation for variance
	INCOME			**£000**	**£000**	**£000**	**%**	**%**	
1	Tuition fees and education contracts								
		a)	FE - UK	1,580	1,600	1,164	1%	(27%)	
		b)	FE - EU	0	0	0			
		c)	HE	1,039	970	903	(7%)	(7%)	Decrease in HE activity and related fees
		d)	Non-EU	16	0	0	(100%)		
		e)	SDS contracts	484	301	443	(38%)	47%	
		f)	Education contracts	0	0	0			
		g)	Other	200	0	0	(100%)		
	Total tuition fees and education contracts			**3,319**	**2,871**	**2,510**	(13%)	(13%)	
2	SFC / RSB Grants								
		a)	SFC / RSB FE recurrent grant (including fee waiver)	14,152	13,920	13,724	(2%)	(1%)	Reduction in funded activity resulting in decreased part time lecturing costs
		b)	UHI recurrent grant - HE provision	0	0	0			
		c)	FE Childcare funds	393	0	0	(100%)		

		d)	Release of SFC / RSB deferred capital grants	677	690	690	2%	0%	
		e)	SFC capital grant	356	433	870	22%	101%	2023/24 as per recurrent allocation.
		f)	SFC grant for NPD	0	0	0			
		g)	Other SFC / RSB grants - FE provision	0	428	177		(59%)	Job evaluation excluded
		h)	Other UHI grants - HE provision	0	0	0			
	Total SFC / RSB Grants			**15,578**	**15,471**	**15,461**	(1%)	(0%)	
3	Research grants and contracts								
		a)	European Commission	0	0	0			
		b)	Other grants and contracts	0	0	0			
	Total research grants and contracts			**0**	**0**	**0**			
4	Other Income								
		a)	Catering and residences	0	0	15			
		b)	Other European Income	0	0	0			
		c)	Other income generating activities	0	0	0			
		d)	Grants from ALF	0	3	156		5100%	
			i) Revenue	0	3	156		5100%	
			II) Capital	0	0	0			
		e)	Non-government capital grant	0	0	0			
		f)	Other grant income	0	206	158		(23%)	
		g)	Release of non-SFC government deferred capital grant	99	118	118	19%	0%	
		h)	Income from Coronavirus Job Retention Scheme	5	0	0	(100%)		
		i)	Other income	132	54	54	(59%)	0%	
	Total other income			**236**	**381**	**501**	61%	31%	
5	Investment income								
		a)	Investment income on endowments	0	0	0			
		b)	Investment income on restricted reserves	0	0	0			
		c)	Other investment income	0	0	0			
		d)	Other interest receivable	1	0	0	(100%)		
	Total investment income	e)	Net return on pension scheme	0					
				1	0	0	(100%)		

6	Donations and endowment income					
		a)	New endowments	0	0	0
		b)	Donations with restrictions	0	0	0
		c)	Unrestricted donations	0	0	0
	Total donation and endowment income			0	0	0

South Lanarkshire College

			Actual 2021-22	Forecast 2022-23	Forecast 2023-24	2021-22 - 2022-23	2022-23- 2023-24	Explanation for variance
	EXPENDITURE							
STAFF COSTS			**£000**	**£000**	**£000**	**%**	**%**	
1	Teaching departments		8,093	8,255	8,116	2%	(2%)	Reduction in activity & staffing requirement in 2023/24
2	Teaching support services		2,072	2,113	2,057	2%	(3%)	Reduction in activity & staffing requirement in 2023/24
3	Other support services		254	259	355	2%	37%	Reallocation of depts in 2022/23
4	Administration and central services		2,305	2,351	2,133	2%	(9%)	Reallocation of depts in 2022/23
5	Premises		838	855	846	2%	(1%)	
6	Catering and residences		0	0	0			
7	Other income generating activities		0	0	0			
8	Other staff costs		0	269	207		(23%)	Contra of job evaluation grant
9	Impact of FRS 102 pensions reported costs (less contributions paid included above)		1,163					
	Normal staff costs		**14,725**	**14,102**	**13,714**	(4%)	(3%)	
10	Exceptional restructuring costs		0	0	0			
	Total staff costs		**14,725**	**14,102**	**13,714**	(4%)	(3%)	
	Additional breakdown of staff costs							
		Salaries	10,501	10,919	10,619	4%	(3%)	**Management of staff numbers in light of salary awards and increased utilisation monitoring.**
		Social security costs	1,028	1,069	1,040	4%	(3%)	
		Pension contributions	2,033	2,114	2,056	4%	(3%)	
		Non-cash pension adjustments - net service cost	1,163					

			Non-cash pension adjustments - early retirement provision	0					
			Severance payments	0	0	0			
			Total staff costs	**14,725**	**14,102**	**13,714**	**(4%)**	**(3%)**	
NON-STAFF COSTS									
1	**Exceptional costs - non-staff**			0	0	0			
2	**Other operating expenses**	a)	Teaching departments	788	775	889	**(2%)**	**15%**	
		b)	Teaching support services	325	400	481	**23%**	**20%**	
		c)	Other support services	0	3	156		**5100%**	Support from ALF
		d)	Administration and central services	977	1,150	1,100	**18%**	**(4%)**	
		e)	General education	0	0	0			
		f)	Premises	1,039	1,190	1,280	**15%**	**8%**	
		(i)	Maintenance	519	470	560	**(9%)**	**19%**	
		(ii)	Utilities	342	450	450	**32%**	**0%**	
		(iii)	Other	178	270	270	**52%**	**0%**	
		g)	Catering and residences	0	0	0			
		h)	Other income generating activities	0	0	0			
		i)	Overspend on student support funds *	0	0	0			
		j)	Planned maintenance	0	0	0			
		k)	Movement on early retirement pension provision	(12)	0	0	**(100%)**		
		l)	NPD	0	0	0			
		m)	Other	588	178	185	**(70%)**	**4%**	Excludes FE Childcare
	Total other operating expenses			3,705	3,696	4,091	**(0%)**	**11%**	
3	**Depreciation**	a)	Government funded assets	799	828	828	**4%**	**0%**	
		b)	Non-government funded assets	507	600	600	**18%**	**0%**	
		c)	NPD funded assets	0	0	0			
	Total depreciation			1,306	1,428	1,428	**9%**	**0%**	
4	**Interest**	a)	On bank loans, overdrafts and other loans	1	0	0	**(100%)**		

	b)	Finance lease interest	0	0	0	
	c)	Other	0	0	0	
	d)	Net charge on pension scheme	101			(100%)
Total interest	e)	NPD interest	0 102	0 0	0 0	
						(100%)
* Includes any overspend on bursaries, discretionary funds, and student funds received from SAAS, but excludes childcare funds.						

South Lanarkshire College

ADJUSTED OPERATING RESULT	**Actual 2021-22**	**Forecast 2022-23**	**Forecast 2023-24**	**Forecast 2024-25**	**Forecast 2025-26**	**2021-22 - 2022-23**	**2022-23- 2023-24**	**2023-24 - 2024-25**	**2024-25 - 2025-26**	**Explanation for variance**
	£000	£000	£000	£000	£000	%	%	%	%	
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	**(1,204)**	**(503)**	**(761)**	**(1,904)**	**(2,443)**					
Add:										
Total depreciation (Government-funded, privately funded and NPDfunded assets) net of deferred capital grant release *(incorporated colleges only)*	530	620	620	808	808	17.0%	0.0%	30.3%	0.0%	
Exceptional non-restructuring items (e.g. impairment costs)	0	0	0	0	0					
Donation to Arms-Length Foundation (incorporated colleges only)	500	0	0	0	0	-100.0%				
Non-cash pension adjustment - net service cost	1,163									
Non-cash pension adjustment - ERP	(12)									
Non-cash pension adjustment -net interest costs	101									
Deduct:										
Non-Government capital grants (e.g. ALF capital grant)	0	0	0	0	0					
Exceptional income (if disclosed as exceptional in accounts)	0	0	0	0	0					

CBP allocated to loan repayments and other capital items *(incorporated colleges only)*	0	0	0	0	0					
NPD payments to reduce NPD balance sheet debt	0	0	0	0	0					
Adjusted operating result	**1,078**	**117**	**(141)**	**(1,096)**	**(1,635)**	-89.1%	-220.5%	677.3%	49.2%	
Cash budget for priorities *(incorporated colleges)* :										
Revenue priorities										
Student support funding	0	0	0	0	0					
2015-16 pay award	0	0	0	0	0					
Voluntary severance	0	0	0	0	0					
Estates costs	197	0	0	0	0					
Other - please describe	0	0	0	0	0					
Total impact on operating position	**197**	**0**	**0**	**0**	**0**					
Capital priorities										
Loan repayments	0	0	0	0	0					
NPD / PFI repayments	0	0	0	0	0					
Estates costs	0	0	0	0	0					
Provisions pre 1 April 2014	0	0	0	0	0					
Total capital	**0**	**0**	**0**	**0**	**0**					
Total cash budget for priorities spend	**197**	**0**	**0**	**0**	**0**					

South Lanarkshire College

Balance Sheet

		Actual 2021-22	Forecast 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26	2021-22 - 2022-23	2022-23- 2023-24	2023-24 - 2024-25	2024-25 - 2025-26	Explanation for variance
		£000	**£000**	**£000**	**£000**	**£000**	**%**	**%**	**%**	**%**	
1 Non-current assets	a) Intangible assets b) Fixed assets c) Investments	0	0	0	0	0	-1.1%	-1.7%	-2.5%	-2.5%	

		50,969	50,409	49,531	48,303	47,075					
		0	0	0	0	0					
Total non-current assets		**50,969**	**50,409**	**49,531**	**48,303**	**47,075**	-1.1%	-1.7%	-2.5%	-2.5%	
2 Current assets	a) Stock	8	8	8	8	8	0.0% -	0.0%	0.0%	0.0%	
	b) Debtors	1,932	1,632	732	732	732	15.5%	-55.1%	0.0% -	0.0%	
	c) Investments	0	0	0	0	0			57.4%		
	d) Cash and cash equivalents	3,628	3,100	2,249	957	-866	-14.6%	-27.5%		-190.5%	**Please note that within the cash balance for 22/23 there are committed funds totalling £1.0m.**
	e) Other (e.g. assets for resale)	0	0	0	0	0					
Total current assets		**5,568**	**4,740**	**2,989**	**1,697**	**(126)**	-14.9%	-36.9%	-43.2%	-107.4%	
3 Creditors: amounts falling due within one year	a) Bank loans and external borrowing	0	0	0	0	0					
	b) Bank overdrafts	0	0	0	0	0					
	c) Lennartz creditor	0	0	0	0	0					
	d) Obligations under finance leases and service concessions	0	0	0	0	0					
	e) Payments received in advance	0	0	0	0	0					
	f) Amounts owed to SFC	151	300	300	300	300	98.7%	0.0%	0.0%	0.0%	
	g) Obligations under PFI/NPD	0	0	0	0	0					
	h) Deferred capital grant	759	959	841	841	841					
	i) Other creditors and accruals	2,363	1,929	1,079	1,263	1,455	-18.4%	-44.1%	17.1%	15.2%	
Total creditors < 1year		**3,273**	**3,188**	**2,220**	**2,404**	**2,596**	-2.6%	-30.4%	8.3%	8.0%	
Share of net assets/(liabilities) in associate		0	0	0	0	0					
NET CURRENT ASSETS/LIABILITIES		**2,295**	**1,552**	**769**	**(707)**	**(2,722)**	-32.4% -	-50.5% -	-191.9%	285.0% -	
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,264**	**51,961**	**50,300**		**44,353**	2.4%	3.2%	-5.4%	6.8%	
4 Creditors: amounts falling due after more than one year	a) Local authority loans	0	0	0	0	0					
	b) Bank loans and external borrowing	0	0	0	0	0					
	c) Lennartz creditor	0	0	0	0	0					
	d) Finance leases and service concessions	0	0	0	0	0					
	e) Obligations under PFI/NPD	0	0	0	0	0					
	f) Deferred capital grant	22,900	22,100	21,200	20,400	19,600					
	g) Amounts repayable to Funding Council	0	0	0	0	0					
	h) Other creditors	0	0	0	0	0					
Total creditors >1 year		**22,900**	**22,100**	**21,200**	**20,400**	**19,600**	-3.5%	-4.1%	-3.8%	-3.9%	
5 Provisions	a) Pension provisions	-1,991	-1,991	-1,991	-1,991	-1,991	0.0%	0.0%	0.0%	0.0%	
	b) Other	0	0	0	0	0					
Total provisions		**(1,991)**	**(1,991)**	**(1,991)**	**(1,991)**	**(1,991)**	0.0%	0.0%	0.0%	0.0%	
		32,355	**31,852**	**31,091**		**26,744**					
TOTAL NET ASSETS							-1.6%	-2.4%	-6.1%	-8.4%	
9 Restricted Reserves	a) Endowment Reserve	0	0	0	0	0					
	b) Restricted Reserve	0	0	0	0	0					
10 Unrestricted reserves	a) Income and Expenditure Reserve										
	b) Revaluation reserve										
		8,111	7,608	6,847	4,943	2,500	-6.2%	-10.0%	-27.8%	-49.4%	

	24,244	24,244	24,244	24,244	24,244	0.0%	0.0%	0.0%	0.0%	**A revaluation will take place over the period of review.**
11 Non-controlling interest	0	0	0	0	0					
TOTAL RESERVES	**32,355**	**31,852**	**31,091**	**29,187**	**26,744**	-1.6%	-2.4%	-6.1%	-8.4%	

South Lanarkshire College

Liquidity Analysis

		Actual	Forecast	Forecast	Forecast	Forecast	2021-22 -	2022-23-	2023-24 -	2024-25 -
		2021-22	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
		£000	**£000**	**£000**	**£000**	**£000**	**%**	**%**	**%**	**%**
1 Current assets	a) Stock	8	8	8	8	8	0.0%	0.0%	0.0%	0.0%
	b) Debtors	1,932	1,632	732	732	732	-15.5%	-55.1%	0.0%	0.0%
	c) Investments	0	0	0	0	0				
	d) Cash and cash equivalents	3,628	3,100	2,249	957	-866	-14.6%	-27.5%	-57.4%	-190.5%
	Total current assets	**5,568**	**4,740**	**2,989**	**1,697**	**(126)**	-14.9%	-36.9%	-43.2%	-107.4%
2 Creditors: amounts falling due within one year excl Deferred Capital Grants	a) Bank loans and external borrowing	0	0	0	0	0				
	b) Bank overdrafts	0	0	0	0	0				
	c) Lennartz creditor	0	0	0	0	0				
	d) Obligations under finance leases and service concessions	0	0	0	0	0				
	e) Payments received in advance	0	0	0	0	0				
	f) Amounts owed to SFC	0	0	0	0	0				
	g) Obligations under PFI/NPD (unfunded only)	151	300	300	300	300	98.7%	0.0%	0.0%	0.0%
		0	0	0	0	0				
	h) Other creditors and accruals	2,363	1,929	1,079	1,263	1,455	-18.4%	-44.1%	17.1%	15.2%

Total creditors < 1year excl Deferred Capital Grants	**2,514**	**2,229**	**1,379**	**1,563**	**1,755**	-11.3%	-38.1%	13.3%	12.3%
Liquidity position (baseline cash)	**3,054**	**2,511**	**1,610**	**134**	**(1,881)**	-17.8%	-35.9%	-91.7%	-1503.7%
Liquidity ratio	**2.21**	**2**	**2**	**1**	**(0)**				

ADDITIONAL INFORMATION

Longer Term Obligations under PFI / NPD (Unfunded Only)	0	0	0	0	0				
Other Longer Term Liabilities in Balance Sheet resulting in cash outflows	0	0	0	0	0				
Other Cash Commitments not included in Balance Sheet	0	0	0	0	0				
Liquidity position less Longer Term Cash Liabilities/C ımmitments	**3,054**	**2,511**	**1,610**	**134**	**(1,881)**	-17.8%	-35.9%	-91.7%	-1503.7%

South Lanarkshire College										
		Actual 2021-22	**Forecast 2022-23**	**Forecast 2023-24**	**Forecast 2024-25**	**Forecast 2025-26**	**2021-22 - 2022-23**	**2022-23- 2023-24**	**2023-24 - 2024-25**	**2024-25 - 2025-26**
Cashflow		**£000**	**£000**	**£000**	**£000**	**£000**	**%**	**%**	**%**	**%**
1	**Cash flow from operating activities**									
a)	Surplus / (deficit) for the year	-1204	-503	-761	-1904	-2443	(58%)	51%	150%	28%
2	**Adjustment for non-cash items**									
a)	Depreciation	1,306	1,428	1,428	1,428	1,428	9%	0%	0%	0%
b)	Amortisation of intangibles	0	0	0	0	0				
c)	Benefit on acquisition	0	0	0	0	0				
d)	Amortisation of goodwill	0	0	0	0	0				
e)	Loss / (gain) on investments	0	0	0	0	0				
f)	Decrease / (increase) in stock	0	0	0	0	0				
g)	Decrease / (increase) in debtors	(220)	300	900	0	0	(236%)	200%	(100%)	
h)	Increase / (decrease) in creditors	(172)	(285)	(850)	184	192	66%	198%	(122%)	4%
i)	Increase / (decrease) in pension provision	1,163	0	0	0	0	(100%)			
j)	Increase / (decrease in other provisions	(32)	0	0	0	0	(100%)			
k)	Receipt of donated equipment	0	0	0	0	0				

	l)	Share of operating surplus / (deficit) in joint venture	0	0	0	0	0				
	m)	Share of operating surplus / (deficit) in associate	0	0	0	0	0				
	n)	Other	(686)	(600)	(1,018)	(800)	(800)	(13%)	70%	(21%)	0%
		Total adjustment for non-cash items	1,359	843	460	812	820	(38%)	(45%)	77%	1%
3	**Adjustment for investing or financing activities**										
	a)	Investment income	0	0	0	0	0				
	b)	Interest payable	(1)	0	0	0	0	(100%)			
	c)	Endowment income	0	0	0	0	0				
	d)	Loss / (gain) on the sale of assets	0	0	0	0	0				
	e)	Capital grant income	872	0	0	0	0	(100%)			
		Total adjustment for investing or financing activities	871	0	0	0	0	(100%)			
4	**Net cash inflow from operating activities**		**1,026**	**340**	**(301)**	**(1,092)**	**(1,623)**	(67%)	(189%)	263%	49%
5	**Cash flow from investing activities**										
	a)	Proceeds from sales of fixed assets	0	0	0	0	0				
	b)	Proceeds from sales of intangible assets	0	0	0	0	0				
	c)	Capital grants receipts	0	0	0	0	0				
	d)	Disposal of non-current asset investments	0	0	0	0	0				
	e)	Withdrawal of deposits	0	0	0	0	0				
	f)	Investment income	1	0	0	0	0	(100%)			
	g)	Payments made to acquire fixed assets	(871)	(868)	(550)	(200)	(200)	(0%)	(37%)	(64%)	0%
	h)	Payments made to acquire intangible assets	0	0	0	0	0				
	i)	New non-current asset investments	0	0	0	0	0				
	j)	New deposits	0	0	0	0	0				
	Total cash flows from investing activities		(870)	(868)	(550)	(200)	(200)	(0%)	(37%)	(64%)	0%
6	**Cash flows from financing activities**										
	a)	Interest paid	(1)	0	0	0	0	(100%)			
	b)	Interest element of finance lease and service concession	0	0	0	0	0				
	c)	Endowment cash received	0	0	0	0	0				

	d)	New secured loans		0		0	0	0	0					
	e)	New unsecured loans		0		0	0	0	0					
	f)	Repayments of amounts borrowed		0		0	0	0	0					
	g)	Capital element of finance lease and service concession payments		0		0	0	0	0					
	Total cash flows from financing activities			(1)		0	0	0	0		(100%)			
7	**(Decrease) / increase in cash and cash equivalents in the year**			155		(528)	(851)	(1,292)	(1,823)		(441%)	61%	52%	41%
8	Cash and cash equivalents at beginning of the year			3,473		3,628	3,100	2,249	957		4%	(15%)	(27%)	(57%)
9	Cash and cash equivalents at the end of the year			3,628		3,100	2,249	957	(866)		(15%)	(27%)	(57%)	(190%)
		Check		155		(528)	(851)	(1,292)	(1,823)					

South Lanarkshire College

Capital Expenditure Projects and Forecast Methods of Financing

	Actual 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000	Forecast 2024-25 £000	Forecast 2025-26 £000	2021-22 - 2022-23 %	2022-23-2023-24 %	2023-24 - 2024-25 %	2024-25 - 2025-26 %
Expenditure:									
Land & Buildings	698	293	0	0	0	-58.0%	-100.0% -		
		575	550	200	200	232.4%	4.3%		
Equipment & Others	173							-63.6%	0.0%
	871	868	550	200	200	-0.3%	-36.6%	-63.6%	0.0%
Financed by:									
Cash reserves	0	509	0	0	0	-79.1%	-100.0%		0.0%
ALF grants	0	0	0	0	0				
Leasing	0	0	0	0	0				
SFC/RSB grant	871	182	200	200	200		9.9%		
		0	0	0	0		97.7%		
								0.0%	
Re-investment of proceeds from disposal of assets *	0							-100.0%	

Non-SFC/RSB grants	0	177	350	0	0				
PFI/NPD	0	0	0	0	0				
Other - please specify if material	0	0	0	0	0				
	871	868	550	200	200	-0.3%	-36.6%	-63.6%	0.0%

***** to be included only where this has been agreed by SFC

	Actual 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000	Forecast 2024-25 £000	Forecast 2025-26 £000
Capital disposals					
Disposal proceeds:					
Asset description	0	0	0	0	0
		0	0	0	0
Asset description	0				
Asset description	0	0	0	0	0
Asset description	0	0	0	0	0
	0	0	0	0	0
Gain/(loss) on disposal:					
Asset description	0	0	0	0	0
Asset description	0	0	0	0	0
Asset description	0	0	0	0	0
Asset description	0	0	0	0	0

0 0

0 0 0

South Lanarkshire College

ALF Funding

Actual 202122 £000	Forecast 2022-23 £000	Forecast 2023-24 £000	Forecast 2024-25 £000	Forecast 2025-26 £000

Estimated balance of cash in ALF as at 1 August	0	500	497	341	325
Donation to Arms Length Foundation	500				
Grant from Arms Length Foundation - capital	0	0	0	0	0
Grant from Arms Length Foundation - revenue	0				
		0	0	0	0
		(3)	(156)	(16)	(16)
Estimated balance of cash in ALF as at 31 July	**500**	**497**	**341**	**325**	**309**

Note:

For most foundations, the most recent accounts available are for periods ending in 2022. Colleges' forecast movements will not include governance costs, donations from third parties, payments to third parties or investment income.

	Actual 2021-22 £000	Forecast 2022-23 £000	Forecast 2023-24 £000	Forecast 2024-25 £000	Forecast 2025-26 £000
Grant from Arms Length Foundation - capital:					
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Total	0 0	0	0	0	0 0
Grant from Arms Length Foundation - revenue					
Student welfare	0	3	10	0	0
Student counselling support	0	0	133	0	0
Student core skills	0	0	13	16	16
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Total	0 0	0	0	0	0 6

Actual 2021-22	Forecast 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26

FINANCIAL SUMMARY

	£000	£000	£000	£000	£000
Income ratios					
Total Income	19,134	18,723	18,472	18,276	18,310
Total Funding Council Grant as % of Total Income	81%	83%	84%	84%	83%
Total non-Funding Council Grant as % of Total Income	19%	17%	16%	16%	17%
Total Education Contracts and Tuition Fees as % of Total Income	17%	15%	14%	14%	14%
Total Research Grants and Contracts as % of Total Income	0%	0%	0%	0%	0%
Total Other Income as % of Total Income	1%	2%	3%	2%	2%
Expenditure ratios					
Total Expenditure	20,338	19,226	19,233	20,180	20,753
Salaries as % of Total Expenditure	72%	73%	71%	73%	73%
Other operating costs as % of Total Expenditure	18%	19%	21%	20%	20%
Depreciation/amortisation as % of Total Expenditure	6%	7%	7%	7%	7%
Operating position					
Operating Surplus/(deficit)	(1,204)	(503)	(761)	(1,904)	(2,443)
Operating Surplus/(deficit) as % of Total Income	-6%	-3%	-4%	-10%	-13%
Adjusted operating surplus/(deficit)	1,078	117	-141	-1,096	-1,635
Adjusted operating surplus/(deficit) as % of Total Income	5.6%	0.6%	-0.8%	-6.0%	-8.9%
Cash Position					
Cash and Current Asset Investments	3,628	3,100	2,249	957	-866
Overdrafts	0	0	0	0	0
Days Ratio of Cash to Total Expenditure	70	64	46	19	-16
Net cash inflow/(outflow) from operating activities	1,026	340	-301	-1,092	-1,623
Net cash inflow/(outflow) from operating activities as % of Total Income	5.4%	1.8%	-1.6%	-6.0%	-8.9%
B lance Sheet strength					
Unrestricted reserves	8,111	7,608	6,847	4,943	2,500
Liquidity ratio	2.21	2.13	2.17	1.09	-0.07
Unrestricted reserves as % of Total Income	42%	41%	37%	27%	14%
Total borrowing (Overdrafts, Loans, Finance Leases, PFI/NPD)	0	0	0	0	0
Interest cover	-10.80	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Finance and Resources Committee

DATE	21 August 2023
TITLE OF REPORT	Quarter 4 ~ 2022/23 Management Forecast and Cashflow
REFERENCE	Item 6.1 – Management Forecast for the year to 31st July 2023 Item 6.2 – Cashflow Forecast for the year
AUTHOR AND CONTACT DETAILS	Keith McAllister, Head of Finance keith.mcallister@slc.ac.uk
PURPOSE:	To provide narrative to the forecast for the year to 31st July 2023 and to highlight the cashflow position at that date
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is recommended to: • note the financial position for the year and the narrative that supports the figures; and • the cashflow situation as notified to Scottish Funding Council
RISK	• That the College cannot maintain financial sustainability. • There are insufficient funds for capital maintenance and maintenance requirements.
RELEVANT STRATEGIC AIM:	• Sustainable Behaviours
SUMMARY OF REPORT:	• The College is confident of meeting its credit target of 48,812 and thus there is no potential for clawback. It should be noted that the Funding Council has allowed for more flexibility with a 2% negative or positive tolerance being applied in any case. That said, the College aim is always to achieve target. • The forecast deficit has risen from £503k as at Quarter 3 to £691k at Quarter 4. The main contributors to the net increase are the additional costs of clearing the backlog of assessment in the Construction area (approx. £100k) and an increase in non-salary spend in academic areas as a whole. This latter item will be the subject of further review as it is expected that some of the expenditure will relate to 2023/24 and can thus be recorded as Prepayments. • There is no indication that the salary award claims from 1st September 2022 will be settled in the near future; the forecast reflects the award as contained within the budget. • The cash position at the College will be a mitigation in the financial performance of the year.

1. REPORT SUMMARY

1.1 The initial review of the financial situation at this point shows an increase to the expected deficit. There are some ups and downs in respect of income, with an unforeseen increase in ESF income related to previous years being offset as already reported against shortfalls in fees and alternative income. The latter assumed a level of short contract works with the local authority in respect of Care subjects similar to the previous year, but that has not materialised.

1.2 It was noted at the last quarter end that salaries were under tight review, and this has resulted in a significant decrease in the forecast for the year. This, however, does depend on whether the current pay claim is met at a level above the amount set in the budget. It has to be noted that salary costs have been contained over the quarter.

1.3 There has been an increase in non-salary expenditure but the review to identify potential prepayments is still being undertake.

1.4 The Committee is asked to note that whilst Depreciation is built into the Forecast, this does not represent a cash spend.

2 INCOME

2.1 The College was confident of closing the credit activity gap as reported at the last quarter and, subject to audit, the target will be met. This gives an assurance that core income is not at risk. With there being no ESF target to meet (ESF activity had to be delivered or there would be a clawback in funding), the College does have a tolerance factor of 2.0% that it can utilise although the College always looks to meet its target.

2.2 The College overdelivered slightly on its 2020/21 ESF activity target and SFC has decided to allocate an additional £82k to the College in this respect. This was incorporated into the Quarter 2 figures.

2.3 Although the college sector no longer receives ESF activity and income, audits on prior year activity deliveries continues. The College has made provision for potential clawbacks and was required to repay £34k in respect of 2016/17 activity. This, though, was less than the £100k originally provided for as a consequence of additional work on reconciliation and audit work undertaken by College staff. The difference was released last quarter. These two situations increase the College SFC income by £147k for the year.

2.4 SFC capital allocations continue to be more modest than in previous years. These funds have been added to the existing College funds and will be utilised in line with capital investment plans. There is an allocation of what are termed “revenue” estates funds, and these will be utilised to offset normal annual estates and digital investment projects. Capital allocations are shown as a contra in Non-Salary Expenditure and will be filtered through the relevant expenditure lines throughout the year or will be capitalised.

2.5 SFC has made an annual allocation in relation to the job evaluation exercise for support staff; this will be backdated to 1st September 2018 and each year's allocation has been retained by SFC until the exercise is completed. The allocation is shown as a contra in Wages & Salaries.

2.6 SFC has made two additional ring-fenced allocations in the year to date. The allocations are now:

a. Digital inclusion £81k (as included in the original budget)
b. Period poverty £8k
c. Counselling £25k (to support the College counselling service)
d. Young Person's Guarantee £75k (to provide additional support for students) Items a and b are contra'd in expenditure, whilst items c and d are represented by staffing costs included in the "Recurrent" wages and salaries line.

2.7 Flexible Workforce Development Funds (FWDF) activity was proving difficult to deliver; clients are signing up for training but not following this through due to issues with releasing staff. However, as reported last quarter, this situation has been the subject of additional staff input and the results are positive, allowing the estimate of income to be incorporated with more surety.

2.8 Income from HN courses will decrease from that anticipated, which was based on student numbers on those courses in June 2022. This is a situation reflected across the college sector. This accounts for a deficit of circa £60k. In addition, some anticipated short-term contracts with the local authority to deliver to their staff have not materialised, resulting in a decrease to Forecast.

2.9 Income from Alternative Income has recovered somewhat from the adverse variance reported in Quarter two:

e. On the downside, activity re the Shared Prosperity Fund has still not started as a consequence of the UK Government not yet signing off the approved bid. Therefore, it is anticipated that an element of this grant will be rephased into 2023/24. No element of the budget of £140k has been incorporated into the Forecast.
f. To counter this, prior uncertainty with regard to the extension of the Rural Academy project has been resolved satisfactorily and the College has been successful in negotiating an increased Modern Apprentice ship contract.

2.10 Other income is expected to be slightly above budget with the refectory contributing a net income of £10k.

3 PAYROLL

3.1 Based on payroll, salaries look to be slightly under budget. There have been some ups and downs affecting the pay bill, such as the Acting Principal being in post for longer than anticipated, August 2022-March 2023, which equates to around £40k. However, to counter this, the level of recurrent staff costs, including temporary lecturing costs, have been held in check, resulting in a decrease in the forecasted spend for the year.

3.2 The College has engaged additional staffing re procurement for one year to bring forward anticipated savings as part of the College's value for money agenda.

3.3 The salary award due at 1 September 2022 has been incorporated into the forecast at the budgeted level of 3.0%. It should be noted that any salary award over and above that included in the budget will impact by £125k per 1.0%.

3.4 The job evaluation exercise for all support staff has not been completed and no further accrual of costs to be borne by the College in this regard have been incorporated into the 2022/23 forecast.

4 NON-SALARY EXPENDITURE

4.1 Property costs are very much dependent on market forces as regards utility costs, but it is anticipated that the budget has made adequate provision. A provision has been made to incorporate savings via procurement. Following an initial review of costs in February 2023, the College was seeking to save £100k in this area. This may have to be moderated to £50k.

4.2 Net depreciation should be as budget based on predicted asset purchases, but this will be subject to change depending on the review of purchases and the implication on the treatment of SFC grant funding.

4.3 Unfortunately, the costs attached to the investigation work have been higher than expected, partly as a result of additional work requested by the College's external audit provider, and thus out of the College's hands. The position has been exacerbated by the continuation of the need for professional consideration and this will push the spend in Central Services over budget despite some savings been made in other areas. It has also been noted previously that the fee for the external audit, a cost not within the control of the College, will increase by approximately £50k over the two years of review which will be invoiced in 2022/23.

4.4 Marketing has been concentrated on less expensive social media outlets and costs have been kept on budget.

4.5 The spend in the Academic area reflects a full year of delivery on campus. It reflects additional expense required to replenish stocks of materials and equipment that had not been factored into the budget, post-COVID and working remotely, to the extent that has been necessary.

4.6 This category of expense also incorporates assessment work previously carried out by the CITB and is at a level higher than anticipated due to a backlog that had to be addressed, resulting in a one-off additional cost of approximately £100k.

4.7 Additionally, a significant invoice re examination and registration fees was received very late in the academic year in May from the SQA, which was not incorporated in the Quarter 3 forecast.

4.8 This area of spend is the subject of a review by the College's Management Accountant due to the spike in ordering towards the end of the year as it is possible that goods have been purchased for utilisation in 2023/24. It is anticipated that some costs will be transferred from 2022/23 to 2023/24 resulting in a reduction in the forecasted deficit.

4.9 Cross College costs incorporated a modest subsidy of the refectory, but it is expected that the operation will make a very modest net contribution.

5 CASHFLOW

5.1 The College makes a cashflow return to the Funding Council each month. This incorporates its required drawdown, based on the grant in aid allocation, and it also incorporates a cashflow forecast for the year.

5.2 The attached document covered the College's August 2023 drawdown and forecast and contains assumptions on the phasing of major capital expenditure spends. It highlights that the College will have adequate working capital at the end of the 2023/24 financial year, although the amount will depend on the utilisation of the sums ringfenced for those capital works.

5.3 The College continues to monitor its cashflow on a daily basis, and it should be noted that there is now opportunity for interest to be generated from the balance held. Funds are being held in fixed term account with the College's bankers, the Royal Bank of Scotland. The College's Financial Accountant is investigated the worth of having a short-term account for daily transfers.

6 EQUALITIES

6.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

7 RISK AND ASSURANCE

7.1 That the College cannot maintain financial sustainability.
7.2 There are insufficient funds for capital maintenance and maintenance requirements.

8 RECOMMENDATIONS

8.1 Members are recommended to:
8.1.1 review the updated forecast and note that the projected deficit has been increased although year end reconciliation work has not yet commenced and that it is anticipated that some costs will have been incurred that relate to the following financial year;
8.1.2 note that the salary award for 1 September 2022 has not been agreed and that every 1.0% increase over the rate already incorporated would result in additional costs of £125k; and
8.1.3 the impact of a settlement and potential cost to the College of the Job Evaluation scheme has not been factored into the forecast

		Finance & Resources Committee		
				Aug 2023
				Agenda Item 6.1
Management Forecast		**12 Months to July 2023**		
Year to 31st July 2023	Note	**2022/23**		
		Forecast	Budget	Variance
		£'000	£'000	£'000
INCOME				
SFC - Grant in Aid	1	13,773	13,724	49
SFC - ESF	2	147	0	147
SFC - Capital	3	433	433	0
SFC - Salaries Contribution	4	239	239	0
SFC - Other	5	189	81	108
Total SFC income		**14,781**	**14,477**	**304**
FWDF	6	243	200	43
Fees	7	1,854	2,040	(186)
Alternative Funding	8	970	1,045	(75)
Other income	9	64	54	10
Total Income		**17,912**	**17,816**	**96**
EXPENDITURE				
Wages & Salaries				
Recurrent		13,796	13,867	71
SFC - salaries contribution		239	239	0
Pension Provision		30	30	0
	10	14,065	14,136	71
Non Salary Expenditure				
Property	11	992	1,069	77
SFC - Capital	Contra	433	433	0
SFC - Other	Contra	81	81	0
Net Depreciation	12	620	620	0
Central Services	13	1,080	903	(177)

Marketing	14	146	150	4
Academic supplies	15	1,110	878	(232)
Cross College Costs	16	76	86	10
		4,538	4,220	(318)
Total Expenditure		18,603	18,356	96
Surplus / (Deficit)		**(691)**	**(540)**	**(151)**

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Monthly cashflow forecast: SLC August

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Total	Total
	Actual				Current	Forecast											Totals	
RDEL	Actual	Actual	Actual	Actual	Current	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	FY 2023-24	AY 2023-24
Income from foundation (revenue)																	0	0
Other Income excluding EMA (revenue)	403,167	753,057	118,176	129,917	135,204	119,995	170,198	96,611	261,655	241,528	136,866	523,311	324,587	606,281	80,509	40,255	3,089,685	2,737,000
RSB funding			0	0													0	0
Total RDEL income (excluding drawdown)	**403,167**	**753,057**	**118,176**	**129,917**	**135,204**	**119,995**	**170,198**	**96,611**	**261,655**	**241,528**	**136,866**	**523,311**	**324,587**	**606,281**	**80,509**	**40,255**	**3,089,685**	**2,737,000**
Wages and Salaries	1,114,313	862,776	859,528	1,291,830	1,052,214	1,277,056	1,185,732	1,219,122	1,197,056	1,207,777	1,217,869	1,169,349	1,187,210	919,218	1,193,269	1,598,128	13,654,623	14,424,000
restructing costs																	0	0
Other Operating Expenditure excl' EMA	263,048	746,556	633,368	487,770	473,164	164,388	373,280	254,649	254,649	278,522	377,994	318,311	209,328	594,093	318,311	318,311	4,625,699	3,935,000
NPD Unitary charges (paid by colleges)																	0	0
Donation to Foundation High					0												0	0
priority backlog- resource					0												0	0
Lifecycle maintenance resource						0	0	0	0	0	0	0	0	0	0	0	0	0
Student Support expenditure (excluding EMA)	613,208	361,088	88,679	0		115,816	480,118	557,814	448,243	398,438	537,892	448,243	610,814	359,678	298,829	199,219	4,049,539	4,455,104
Total RDEL expenditure	**1,990,570**	**1,970,420**	**1,581,574**	**1,779,600**	**1,525,377**	**1,557,260**	**2,039,130**	**2,031,585**	**1,899,948**	**1,884,737**	**2,133,755**	**1,935,903**	**2,007,352**	**1,872,988**	**1,810,409**	**2,115,658**	**22,329,861**	**22,814,104**
Net RDEL expenditure (a)	**-1,587,403**	**-1,217,363**	**-1,463,398**	**-1,649,683**	**-1,390,173**	**-1,437,265**	**-1,868,932**	**-1,934,973**	**-1,638,293**	**-1,643,209**	**-1,996,890**	**-1,412,593**	**-1,682,765**	**-1,266,707**	**-1,729,899**	**-2,075,403**	**-19,240,176**	**-20,077,104**
CDEL																		
Income from foundation (capital)																	0	0
Proceeds of sale of fixed assets																	0	0
Other income (capital)	176,519				216,892	160,108											176,519	377,000
Total CDEL income	176,519	0	0	0	216,892	160,108	0	0	0	0	0	0	0	0	0	0	176,519	377,000
Backlog maintenance capital					310,000			103,334			103,333			103,333			0	620,000
Lifecycle maintenance capital		99,311			125,000			41,667			41,666			41,667			99,311	250,000
Digital poverty						40,617				20,308			20,308				0	81,234
Other capital expenditure (land, buildings, fixtures, IT)	265,305		74,503	436,808													776,616	0
Work in Progress (Assets Under Construction)																	0	0
Surrender of proceeds																	0	0
Total CDEL expenditure	265,305	99,311	74,503	436,808	435,000	40,617	0	145,001	0	20,308	144,999	0	20,308	145,000	0	0	875,927	951,234
Net CDEL expenditure (b)	-88,786	-99,311	-74,503	-436,808	-218,108	119,491	0	-145,001	0	-20,308	-144,999	0	-20,308	-145,000	0	0	-699,408	-574,234
ODEL																		
Capital Loan/Lennartz Repayments (c)																	0	0
EMA																		
EMA income	4,370	4,770	8,430	7,500	390	7,000	6,500	4,800	2,500	9,000	5,500	5,400	8,800	4,400	5,100	8,700	25,070	68,090
EMA expenditure	4,770	8,430	7,500	390	7,000	6,500	4,800	2,500	9,000	5,500	5,400	8,800	4,400	5,100	8,700	6,500	21,090	74,200
Net EMA (d)	-400	-3,660	930	7,110	-6,610	500	1,700	2,300	-6,500	3,500	100	-3,400	4,400	-700	-3,600	2,200	3,980	-6,110
Total Net Outflows/(Inflows) (a) +(b)+(c)+(d)	**-1,676,589**	**-1,320,334**	**-1,536,971**	**-2,079,381**	**-1,614,891**	**-1,317,274**	**-1,867,232**	**-2,077,674**	**-1,644,793**	**-1,660,018**	**-2,141,789**	**-1,415,993**	**-1,698,674**	**-1,412,407**	**-1,733,499**	**-2,073,203**	**-19,935,604**	**-20,657,447**
Opening Bank Balance	**3,250,188**	**3,278,599**	**3,712,701**	**3,784,962**	**3,261,244**	**3,213,887**	**3,112,255**	**2,619,815**	**2,091,291**	**2,190,316**	**2,514,449**	**1,979,931**	**2,282,450**	**2,302,582**	**2,434,621**	**2,292,143**		
Net Cash Available	1,573,599	1,958,265	2,175,730	1,705,581	1,646,353	1,896,613	1,245,022	542,140	446,498	530,298	372,660	563,938	583,776	890,174	701,121	218,939		
SFC Cash Drawdown Total	1,705,000	1,754,436	1,609,232	1,555,663	1,567,535	1,215,641	1,374,792	1,549,151	1,743,818	1,984,151	1,607,270	1,718,513	1,718,805	1,544,446	1,591,021	1,538,105	6,624,331	19,153,248
Closing Bank Balance	**3,278,599**	**3,712,701**	**3,784,962**	**3,261,244**	**3,213,887**	**3,112,255**	**2,619,815**	**2,091,291**	**2,190,316**	**2,514,449**	**1,979,931**	**2,282,450**	**2,302,582**	**2,434,621**	**2,292,143**	**1,757,044**		

Finance and Resources Committee

DATE	21 August 2023
TITLE OF REPORT	Procurement Update
REFERENCE	Agenda Item 6.3
AUTHOR AND CONTACT DETAILS	Keith McAllister, Head of Finance keith.mcallister@slc.ac.uk
PURPOSE:	To update the Committee on the Procurement function
KEY RECOMMENDATIONS/ DECISIONS:	The Board is asked to: • Note the progress being made re procurement processing and procedures and the contracts that have been either completed or put out to tender. • Note the savings made since the last report and the contracts placed
RISK	• That there is a failure of Corporate Governance arrangements and / or Financial Controls where the College does not follow Scottish Government procurement guidance; • The College does not receive value for money.
RELEVANT STRATEGIC AIM:	• The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• 6 contracts have been placed of which two were funded directly by the Scottish Government following successful bids by the College. • A significant saving of £77k over 4 years was made via the replacement of the College's telephony system. • The additional resource provided by APUC is allowing the College to address the replacement of major contracts and services, e.g. the HR system, telephony, the provision of refectory services, the replacement of the College's enrolment / student record system.

Overview

The College is continuing to make progress on procurement process and procedure and is currently working towards refreshing all the procurement procedures, processes and templates and will be delivering training to all staff in due course. At present, the College has a contract with APUC for a 0.5 FTE procurement professional although the demands have required a temporary extension of the provision to 0.8 FTE in the busier times.

An additional APUC resource, Chris Harper, for a 1.0 FTE as a Procurement Project Manager appointed for 1 year to work on specific allocated projects to assist with the current work demands.

Procurement Reporting

The Annual Report for the period 1 Aug. 22 – 31 Jul 2023 is currently being prepared.

Sustainability/ Carbon Reduction

Sustainability continues to be a key focus in Procurement and opportunities to build sustainability into each contract will continue to be considered. Procurement will also ensure that we build carbon reduction into the tendering exercise as it is important to adjust the working practices to enable us to reduce the carbon footprint. We have targets for reducing indirect emissions of greenhouse gases and to report on how we will align spending and use of resources with emissions reduction efforts.

The College Procurement function is also looking at what is termed “circular procurement” which sets out an approach to green public procurement. This includes paying special attention to “the purchase of works, goods or services that seek to contribute to the closed energy and materials loops with the supply chains, whilst minimising, and in the best case avoiding, negative environmental impacts and waste creation across the whole life-cycle” This will be embedded into the procurement policy and processes. For example: potentially leasing, rather than owning, vehicles.

The Supply Chain Manager attends the Sustainability Group to obtain information on anything that could be included in future procurement activities and to advise on opportunities for Community Benefit.

The Supply Chain Manager has collated data for **From Now To 2030** (FNT2030), a Scottish Government initiative to reduce the carbon footprint to zero by the year 2030, under the distinct categorises below. This relates to the sustainability strategic aims targeted at 2030, linked to the UC Sector Climate Strategy (May 2022) signed by all College Principals.

FNT2030 has been broken into distinct categories that are required to be reported on to the Scottish Government as follows:

- Energy
- Food
- Furniture
- IS
- Labs and
- Travel

However, there are other sustainability targets through out all the Universities and Colleges aimed at 2038 which are currently being reported back to the Scottish Government so the collated information will be combined to prevent a duplication of effort.

Procurement Project Manager – Allocated Work

Chris Harper (Procurement Project Manager) has been allocated the following projects to complete.

Contract	Process
Washing Machines inc Maintenance	PILOT – Aug-Sept 23
Mechanical Maintenance	Open Tender
Disposable Towels	Framework
Trades Framework (Materials)	Open Tender

Single Tender Actions – Since last report

Contract	Service Area	Cost	Supplier(s)	Contracted
Training (Discipline, grievance, and investigations)	HR	£15,000	ACAS	01/06/2023
Firewalls	IT/MIS	£13,485	Smoothwall	12/07/2023

Note that the College is obliged to report on all single tender action awards.

Contract Renewals

The following contracts are due for renewal.

Contract	Expiry	Anticipated Procurement Process
Catering Services	30/06/2024	Open Tender

Next Contracts to be placed

Contract	Type	Anticipated Procurement Process
Student Records	New	Framework Agreement
Catering Service	Renewal	Open Tender

Contracts in the Tender Process

The following contracts are currently going through the tender process and will be awarded in due course.

	Service	Area	Process	Stage	Via
1	Student Records	IT/MIS	Framework Agreement	Development of ITT	SH
2	Catering Services	Principalship	Open Tender/ Framework	Strategy	SH
4	Mechanical Maintenance	Estates	Open Tender	Development of ITT	CH
5	Trade Framework (Materials)	Construction	Open Tender	Strategy	CH

Awarded Contracts Since Last Report

The Following Contracts have now been placed via tenders and / or extended.

Service	Contracted	Awarded to:	Value	Via
LED Lighting (Supply of Products)	30/05/2023	Edmundson Electrical via Framework Agreement	£185,123 (Scottish Funded)	SH
Replacement of Landlines (Softphones)	12/06/2023	Charterhouse Group via Framework Agreement – SP-21-039 – LOT 1	£80,000	SH

Recruitment Campaign Services	12/06/2023	Aspen Recruitment via Framework Agreement	£52,000	SH
Gutter Works	22/06/2023	Sennit Construction	£78,000	CH
Plastering Workshop Refurbishment (ITQ)	29/06/2023	AMC Solutions (Alba) Ltd	£38,396	CH
Installation of LED Lighting – (ITQ) works	20/07/2023	SMS Ltd	£134,192 (Scottish Funded)	SH

Saving since last report

Replacement of Landline (Softphones)

By placing this contract SLC have saved £77,068 over a 4-year period which equates to £19,267 per year.

Note that a full list of savings will be incorporated into the annual report, which will be presented to the November 2023 meeting of the Committee

FINANCE AND RESOURCES COMMITTEE

DATE:	21 August 2023
TITLE OF REPORT:	Facilities Update
REFERENCE	6.4
AUTHOR AND CONTACT DETAILS	Stella McManus, Depute Principal Stella.mcmanus@slc.ac.uk
PURPOSE:	To provide the Finance and Resources Committee with a summary of in-year performance to date.
KEY RECOMMENDATIONS/ DECISIONS:	Members are asked to note the following updates: • Progress on work taking place in the College; • Contract monitoring review; • Sustainability charts reporting on energy, waste, water and gas; and • £10,000 of funding received from The Water Efficiency Fund.
RISK	• That essential estates work is not carried out on a timely basis impacting on the learner experience. • That there is a failure to adhere to statutory and legislative health & safety requirements.
RELEVANT STRATEGIC AIMS:	• Highest quality education and support - providing a highquality environment for staff and students • Sustainable behaviours – environmentally sustainable behaviours.

SUMMARY OF REPORT:	• The Intrusive External Building Survey is complete, and the College is putting together a 4 year work plan. • Workroom spaces have been adapted to make them more user friendly. • Further capital work is being planned with the use of architects to consider the space utilisation in the building, with the next focus on the reception area. • An update on the College's service providers and their Red Amber Green (RAG) status and noting that some providers are part of the procurement processes in train. • The charts being used for the College's energy consumption, solar PV generation, waste and water provide a visual representation usage. Key challenge is finding additional ways to offset our energy usage where possible, given the significant increase in energy costs. • The College received £10,000 of funding from the Water Efficiency Fund to use for projects such as waterless urinals.

1. INTRODUCTION

1.1 This paper outlines the progress of essential estates work, the standard contract monitoring update and the visual charts being used to report on sustainability and energy usage.

2. BUILDING SURVEY

2.1 The intrusive external building survey was carried out in April 2023 and is now complete. The College received the draft report from Blyth and Blyth and are investigating solutions in conjunction with the Head of Facilities and the Engineer.

3 OTHER WORKS

3.1 Maxi Construction were selected to carry out the work for the reconfiguration of the workrooms. The final part of these works was carried out over the summer break, which was the alterations to workroom 205, resulting in all three academic staff workrooms being more spacious creating much improved works spaces for lecturing staff.

3.2 The College indicative funding allocation for 2023/24 academic year will provide a further £870k of capital spend. Architects have proposed multiple space utilisation improvements within the building for both students and staff as well as changes to the main atrium and reception areas. Members will be kept informed of any such work.

3.3 Gutter repairs have been carried out over the summer break. The work involved stripping back three of the existing box gutters to prepare for the installation of a Sika gutter product. This will provide the College with a guarantee of 20 years.

3.4 The College recognised that the asset database information is now inaccurate due to the storage of items during the pandemic and then these items being put back in urgency to enable classes to function. As a result of this the College originally planned to employ the services of an external provider but has now made the choice to employ two students for two days a week over a year to focus on completion of these works.

3.5 Fixed wire testing was completed over the summer break as planned. A report will be produced from these works and follow up works will follow by a selected electrical contractor.

3.6 It was recognised that the plastering workshops required refurbishment. Following planning and entering competitive tendering, these works were awarded to AMC Solutions. Work commenced in multiple workshops during the summer break. The works also added an additional workshop to the existing ones, creating more student space in the area.

3.7 Routine summer works were carried out, including paint refresh of all corridors and workshop floors, car park clean and tarmac repairs, minor repairs and mini inhouse projects. A college wide deep clean was carried out, both of rooms and furnishings.

3.8 An external clean or cladding and windows was completed before staff and students started back after the summer break.

4 CONTRACT MONITORING

4.1 High level / large volume maintenance and repairs are contracted out to specialist businesses and are obtained via tendering process in collaboration with the College's APUC procurement professional. These items and contractors are shown in the table below alongside their RAG ratings.

4.2 Each contract review starts with a list of key objectives and identifies opportunities to improve, both in terms of the current contract itself, and in feeding into future contract negotiations, and key achievements. The review uses a scorecard format and will identify key improvement actions, with timescales and responsibilities stated. Any issues and risks identified will be raised with the supplier and a system of measuring and monitoring KPIs will be introduced. Examples of this would be:

- Shortages reported;
- Deliveries missed or late;
- Quality of service or goods;
- Invoice accuracy; and
- General customer satisfaction as reported by the end user.

Table 1: Service Providers

RAG Rating		Expense - Supplier	Progress to Green: Key Actions
Last Quarter	This Quarter		
Green	Green	Gas - Supply – Total Gas	
Amber	Amber	Gas - College Infrastructure – ECG	Under review and contract soon to go out to tender. Progress being made on tender.
Green	Green	Electricity – Supply – EDF	Monitor cost increases
Green	Green	Electricity – Feed in Tariff – Scottish Power	No Concerns

		Electricity – College Infrastructure –	Temporary electrical contractor in place for urgent and emergency works, service is excellent. Awaiting joint contract award with NCL.
		Elevators - Kone, maintaining all 5 elevators	Excellent response times and experienced engineers.
		Mechanical & Ventilation – ECG	Under review and contract soon to go out to tender. Progress being made on tender.
		Kitchen equipment, including refrigeration units – React Catering Services Ltd	Response time is as expected, some follow up repair calls have been needed but service is good
		Water – Supply – Business Stream	There was a loss of provision for 1 day but did not impact the college due to being non term time.
		Water – College Infrastructure - ECG	Under review and contract soon to go out to tender. Progress being made on tender.
		Laundry Equipment PPM & Reactive – JLA	Service to continue for 6 months until review of compostable towels is complete
		CCTV – DANTE Security Systems Access control) – No provider	Note that this is on the procurement schedule. The College is seeking to secure a contact via APUC in the near future for a long-term contactor. Dante no longer supporting us.
		Security Systems (Alarms) – Connolly Security Services	There was an issue with standard of service but has been resolved at Director level.
		Fire Systems – Connolly Security Services (Fire Division)	FM have liaised and worked to have service improved. There continue to be issues thus monitoring closely, continues the quarter.
		Pest Control – Environmental Services Pest Control Ltd	Good service provision and very reactive
		Construction Machinery Maintenance – Inhouse and 'The Saw Centre'	Carried out internally and backed up by routine maintenance contractor services employed
		Waste & Recycling – Biffa	Service levels have improved to a satisfactory level. Contract review meetings in place.
		Ground's maintenance – IPSUM	Service levels have fluctuated recently. Liaising with contractor to resolve

4.3 The Principal, Associate Principals, the Head of Facilities and the Procurement Team meet every fortnight to check the progress of contracts that require updating. This proves to be a worthwhile meeting to all parties.

4.4 In addition, as part of these meetings a review of contract management will ensure that all suppliers are part of routine timely reviews for example, every quarter leading to an annual yearly review.

5 SUSTAINABILITY

5.1 Table 2: Solar Panel Production

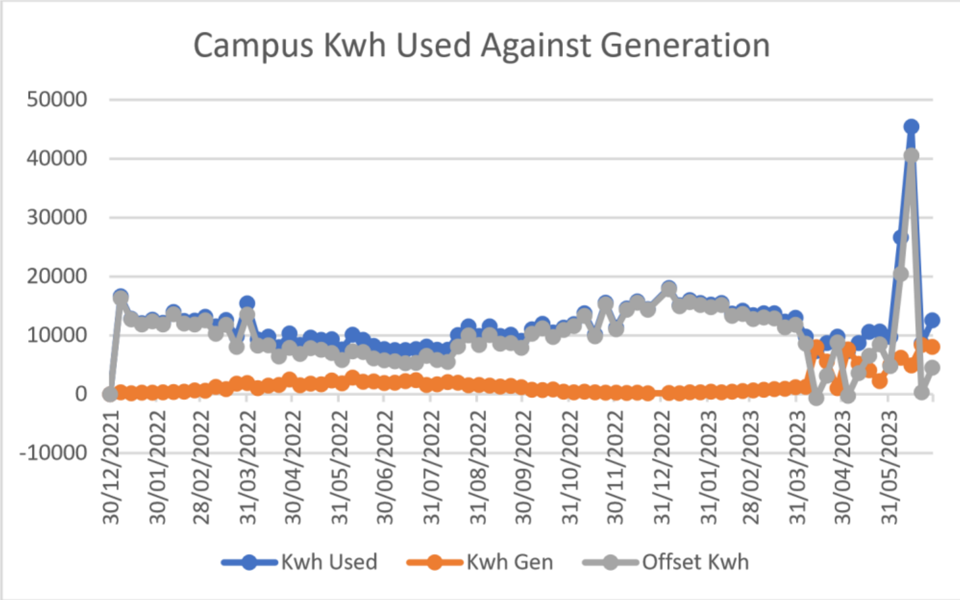
Reporting Period	Construction Wing	Annex	Low Carbon House	Total Kwh
Oct-Dec 2020	13,303	3,450	473	17,226
Jan-Mar 2021	3,567	612	117	4,296
Apr-Jun 2021	172 (FAULT)	1,011	183	1,366
Jul - Sept 2021	171 (FAULT)	4,345	585	5,101
Oct- Dec 2021	1,378	3,931	555	5,864
Jan – Mar 2022	1,828	476	109	2,413
Apr-Jun 2022	7501	1301	236	9,038
Jul-Sept 2022	20063	4040	536	2,4639
Oct-Dec 2022	18022	3562	503	2,2087
Jan – Mar 2023	4080	638	142	4,860
Apr-Jun 2023	72,876	2,206 (F)	599	75,681

NOTE: Quarter year comparison is low due to a fault with one of our arrays. This has been fixed; however, the output won't have reached its full potential. In addition, the solar PV invertor in the annexe had to be replaced in June 2023.

5.2 The Solar Photovoltaics (PV) panel figures are as expected for this time of year, and this reporting period will see an increase in generated hours due to an increase in daylight hours as well as the additional 150Kwp newly installed Solar PV System. There is approximately10 times more output from the main building since the new array was installed. In comparison, the new system has generated a total of 54,698 Kwh within this reporting period and the annexe has generated a total 69,092Kwh since it was installed in February 2016)

5.3 The College has also added an additional graph below to showcase the College generated electricity from all PV sources against all energy used below.

5.4 Chart 1: Electricity Generated by the College Against Usage



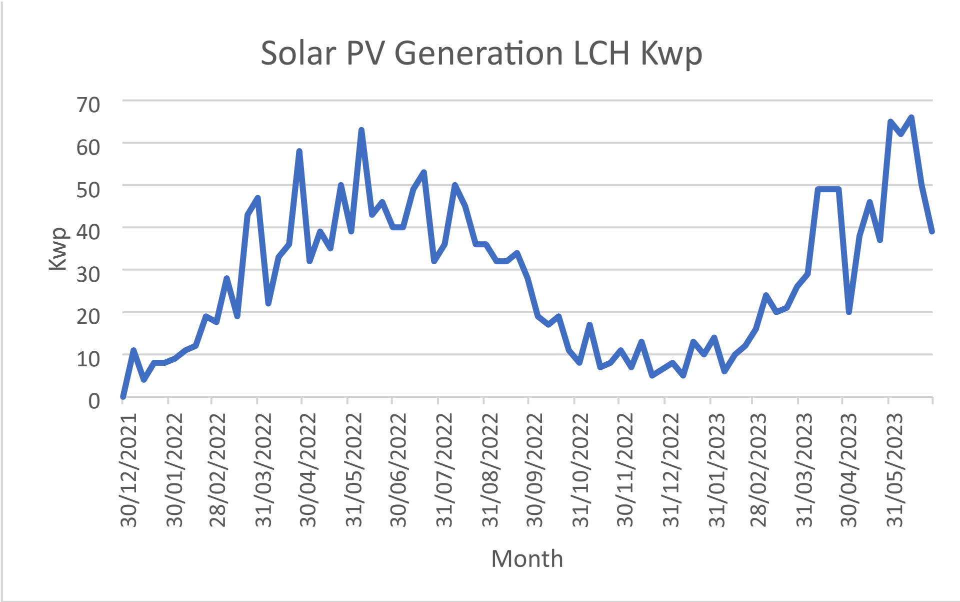
5.5 Staff awareness on energy conservation will be a mandatory development theme on staff development days going forward to help bring the College into equilibrium. In addition, staff will be required to set out in Team Plans how their areas will support the overall College Climate Emergency Action Plan to achieve net zero by 2045 or earlier.

5.6 The College was successful in gaining Scottish Government funding of £377,852.08 to replace all lighting throughout with LED and work has now commenced. Estimated annual energy consumption savings (kWh pa) are noted below.

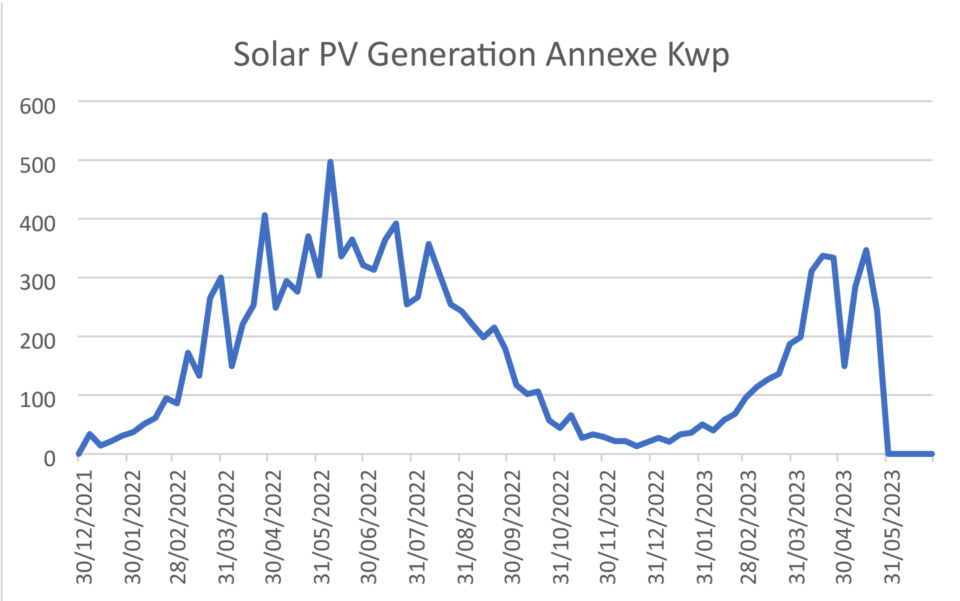
5.6.1 Existing Fluorescent lamps rated at 90 Watts (0.09kWh) x 1900 units = 171Kw/h x 35 hrs = 5,985Kw/h x 40 weeks = 239,400Kw/h per annum.
5.6.2 Proposed LED lamps 25 Watts (0.025kWh) x 1900 units = 47.5Kw/h x 35 hrs = 1662.5Kwh x 40 weeks = 66,500 kw/h per annum
5.6.3 Annual saving of 172,900 Kw/h

5.7 Furthermore, the estimated blended useful life of measures (years) is above 15 years. The estimated annual CO2 savings is: tCO2e: 36.711 tCo2e. Therefore, the estimated annual energy cost savings (if applicable): Electricity charge per Kw/h at present £0.125382 x 172,900 = £21,678.55 saving.

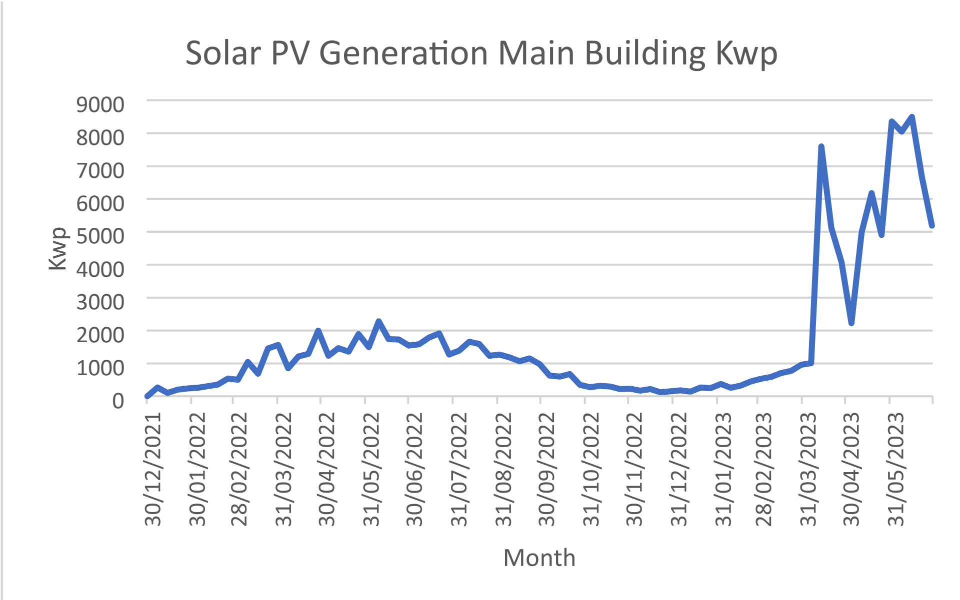
5.8 Chart 2: Solar PV for the Low Carbon House



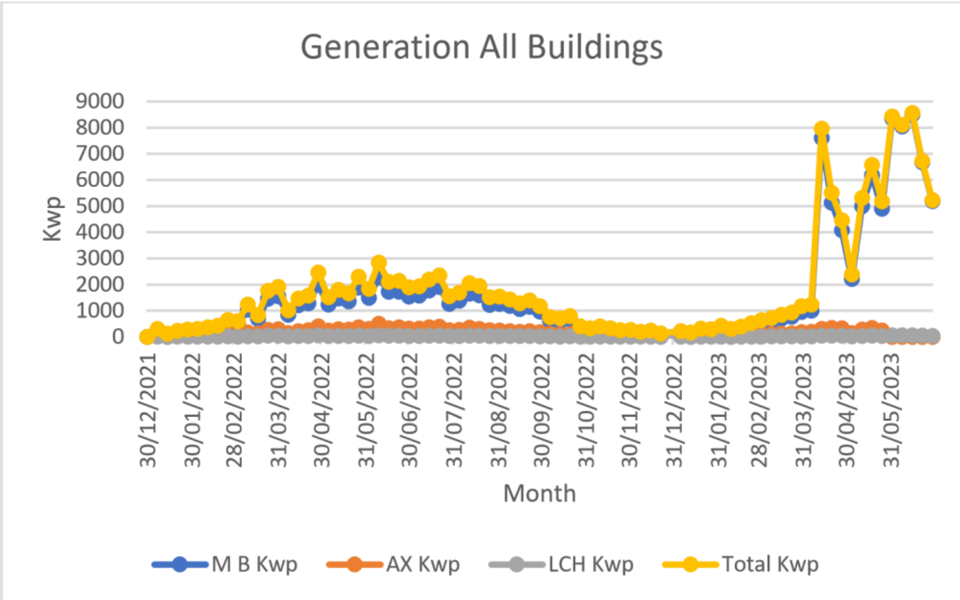
5.9 Chart 3: Solare PV for the Annex



5.10 Chart 4: Solar PV Figures Main Building



5.11 Chart 5: Total Solar PV Figures Combined

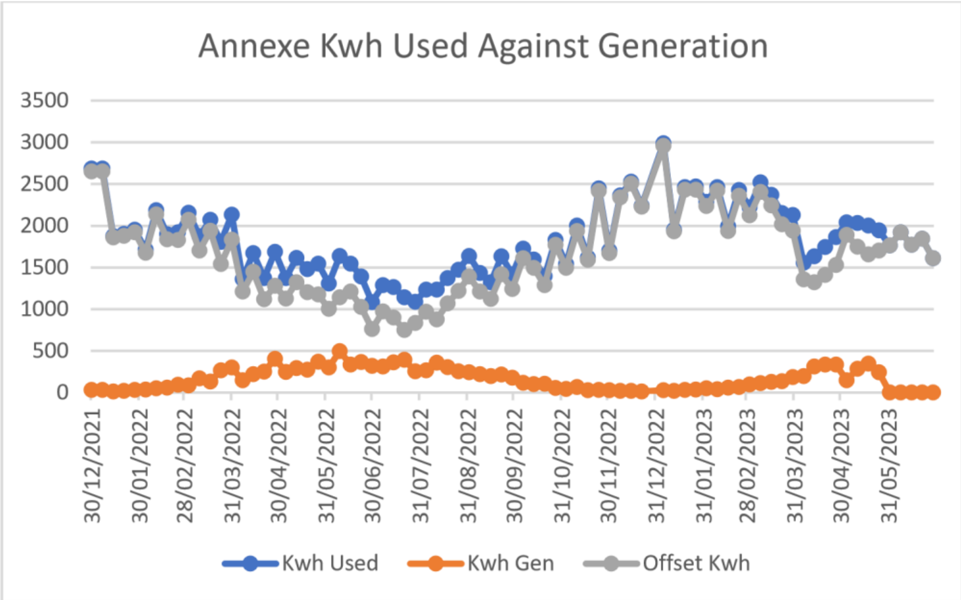


5.12 Charts 3 and 4 show how much of what we have generated for the annex and the main building can be offset against what we actually use in these buildings. As reported at the previous Committee, in line with the College's efforts to help achieve net-zero, an additional 150Kwp (campus total 237Kwp) solar PV panels were added to the construction roof area successfully on time, under budget and completed on 31 March 2023. This was possible due to Scottish Government grant funding and all monies received.

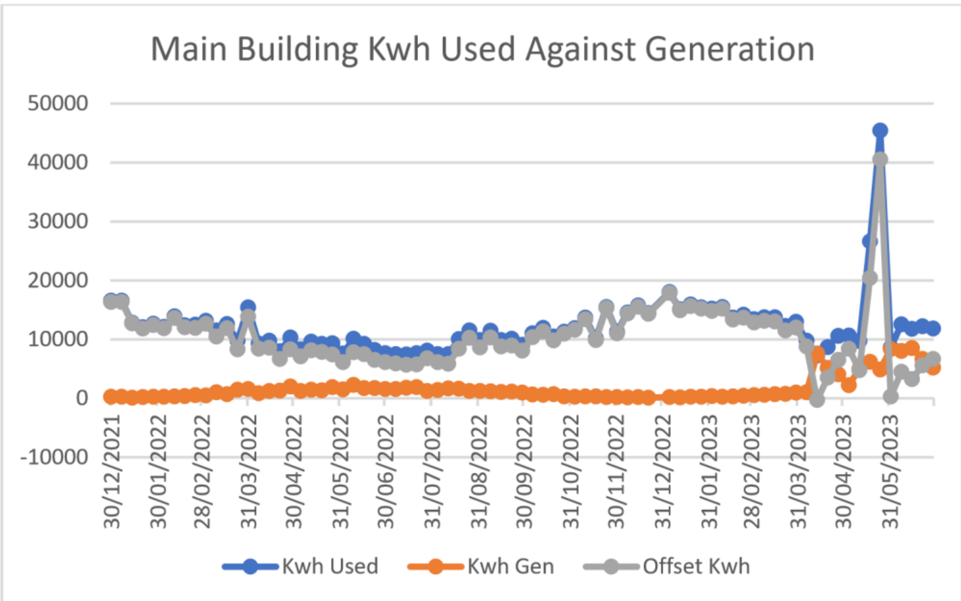
5.13 The installation of the new PV system will also offset approximately 120,000KwH which will help support with energy costs.

5.14 As can be seen from the graphs, in the summer months the gap between used and generated become closer due to less energy needed for heating, lighting etc and more energy being generated. In addition, there are also fewer people in the building resulting in less usage. In contrast the gap widens again during the autumn and winter period.

5.15 Chart 6: Annexe Kwh Used Against Generation



5.16 Chart 7: Main Building Kwh/p Used Against Generation



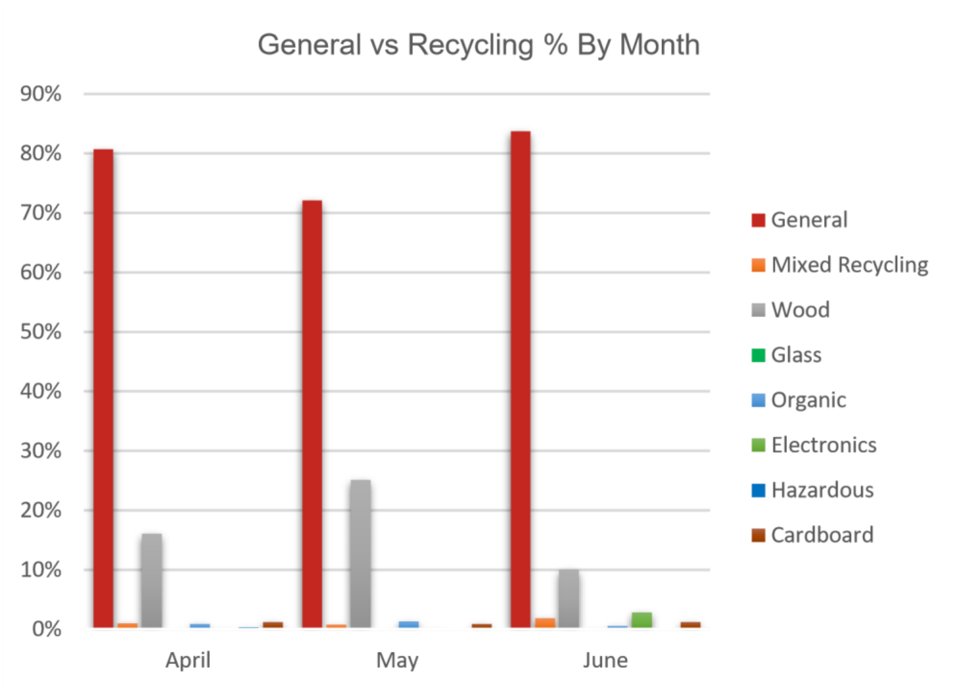
5.17 As you can see from the peak, more electricity was used between the 18 May 2023 and 29 May 2023. This has been passed to facilities to investigate.

6 Waste

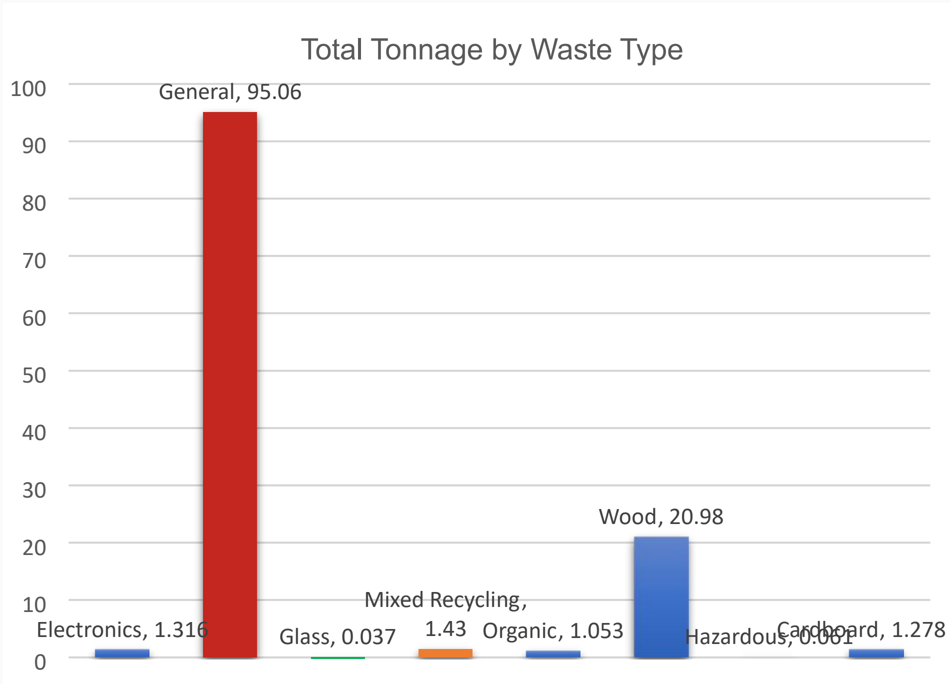
6.1 The graphs show in detail a breakdown of the waste categories from the College supplier Biffa, who were awarded the waste management contract from January 2022.

Note that the category “C&D” refers to “Mixed Construction and Demolition” waste.

6.2 *Chart 8: General Vs Recycling*

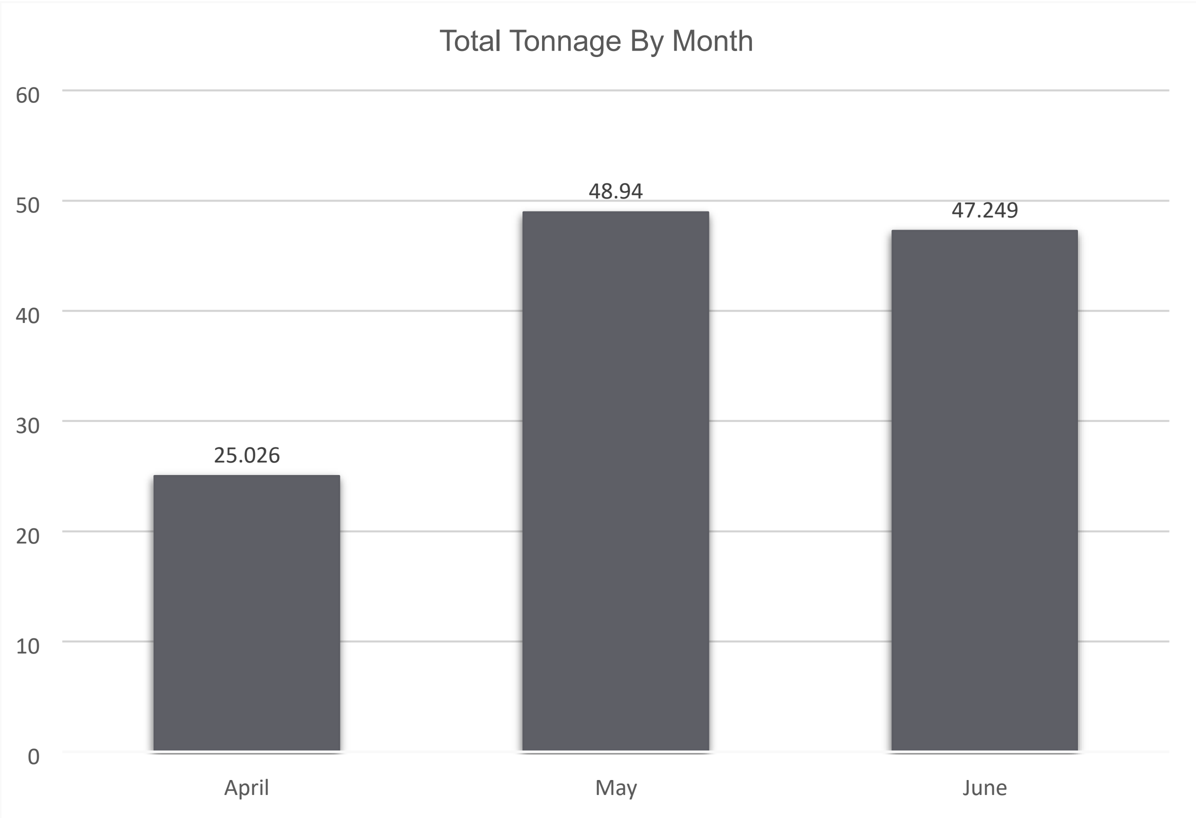


6.3 Chart 9: Total Tonnage by Waste Type



6.4 The general waste category still gives some cause for concern and the Student Association will launch a recycling campaign the 2023-24 academic year. The College is aware that some contractors are still using College skips to remove waste from the campus. Chart 10 below shows a slight decrease between May 2023 and June 2023.

6.5 Chart 10 Waste: Monthly Tonnage 2023



7 ENERGY CONSUMPTION: ALL BUILDINGS

7.1 Table 3 below provides an overview of energy consumption across the estate over the last 3-year period, across all the utilities: gas, electricity and water. The change in the utilisation of the building will obviously affect the comparisons, but the table is designed to compare the movement in the quarter over the prior year equivalent, and the current rolling year over the prior year equivalent.

7.2 There are also charts to demonstrate the rolling gas and water consumption so that is easier to read in line with the electricity charts already provided.

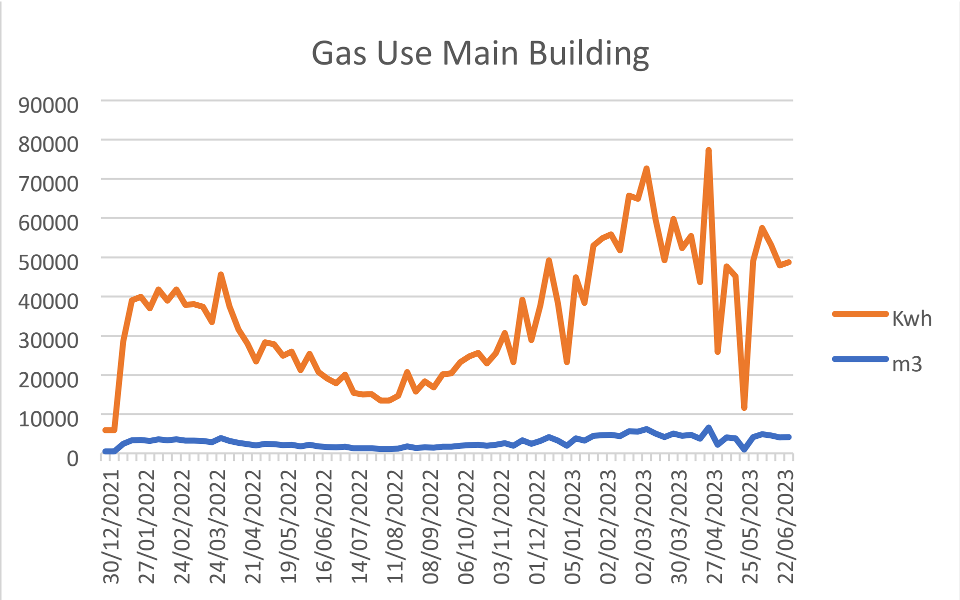
7.3 *Table 3 Energy Consumption*

Finance and Resources Committee Estates Report May 2023 Energy Consumption- all Buildings				
Date	Usage in kWh	Movement over prior year quarter	Rolling Year	Movement over prior rolling year
	Gas - kWh			

Apr - Jun 2019	339,949	4%	1,535,774	-14%
Jul - Sep 2019	250,064	13%	1,564,445	-9%
Oct - Dec 2019	500,643	11%	1,613,197	-4%
Jan - Mar 2020	636,674	22%	1,727,330	13%
Apr - Jun 2020	145,432	-57%	1,532,813	0%
Jul - Sep 2020	220,102	-12%	1,502,851	-4%
Oct - Dec 2020	408,878	-18%	1,411,086	-13%
Jan - Mar 2021	555,678 330,348	-13%	1,330,090	-23%
Apr - Jun 2021	205,185	127%	1,515,006	-1%
Jul - Sep 2021		-7%	1,500,089	0%
Oct-Dec 2021	249,945	-39%	1,341,156	-5%
Jan-Mar 2022	551,090	-1%	1,336,568	0%
Apr - June 2022	313,839	-5%	1,320,059	-13%
Jul - Sep 2022	200,677	-2%	1,315,551	-12%
Oct-Dec 2022	337,867	35%	1,403,473	5%
Jan - Mar 2023	634,676	15%	1,487,059	11%
Apr - June 2023	563,061	79%	1,736,281	32%
	Electricity - kWh			
Apr - Jun 2019	474,459	-8%	2,177,952	-5%
Jul - Sep 2019	431,202	-5%	2,156,326	-4%
Oct - Dec 2019	562,561	-8%	2,104,158	-6%
Jan - Mar 2020	574,224	-10%	2,042,446	-8%
Apr - Jun 2020	225,865	-52%	1,793,852	-18%
Jul - Sep 2020	299,521	-31%	1,662,171	-23%
Oct - Dec 2020	472,746	-16%	1,572,356	-25%
Jan - Mar 2021	775,982	35%	1,774,114	-13%
Apr - Jun 2021	368,153	63%	1,916,402	7%
Jul - Sep 2021	283,081	-5%	1,899,962	14%
Oct-Dec 2021	127,306	-73%	1,554,522	-1%
Jan-Mar 2022	193,702	-75%	972,242	-45%
Apr - June 2022	135,743	-63%	739,832	-61%
Jul - Sep 2022	135,201	-52%	591,952	-69%
Oct-Dec 2022	174,960	37%	639,606	-59%
Jan - Mar 2023		-2%		-35%

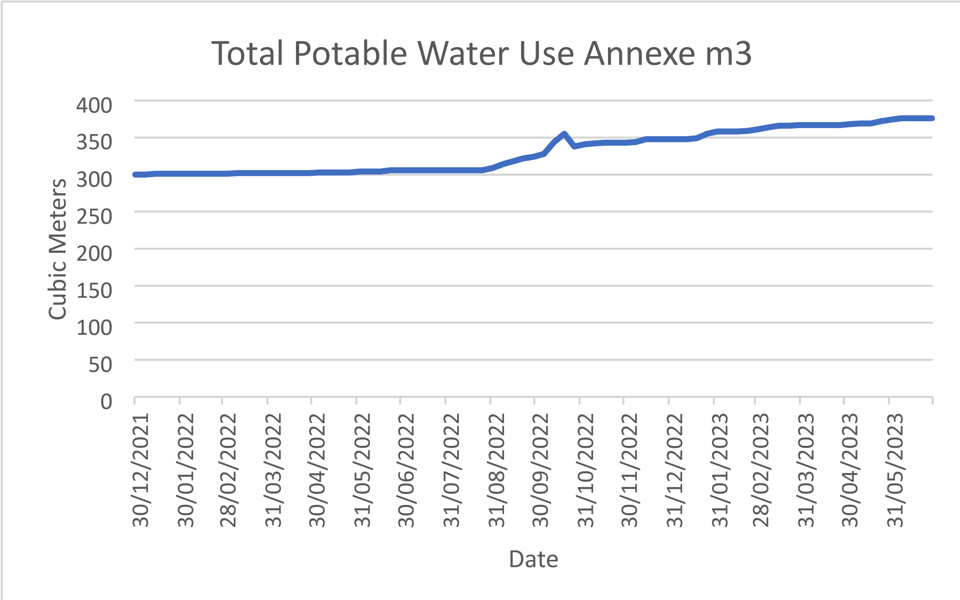
	189,142		635,046	
Apr - June 2023	209,549	54%	708,852	-4%
	Water Consumption - M_3			
	Usage in m3	Movement over prior year quarter	Rolling Year	Movement over prior rolling year
Apr - Jun 2019	2,230	-26.1%	9,962	-9%
Jul - Sep 2019	2,185	13.9%	10,229	-7%
Oct - Dec 2019	2,628	-10.7%	9,915	-9%
Jan - Mar 2020	2,225	-22.5%	9,268	-14%
Apr - Jun 2020	628	-71.8%	7,666	-23%
Jul - Sep 2020	1,109	-49.2%	6,590	-36%
Oct - Dec 2020	203	-92.3%	4,165	-58%
Jan - Mar 2021	74	-96.7%	2,014	-78%
Apr - Jun 2021	201	-68.0%	1,587	-79%
Oct-Dec 2021	1,665	50.1%	2,143	-49%
Jan-Mar 2022	2193	96.6	4,133	105%
Apr - June 2022	2,507	92.0	6,566	314%
Jul - Sep 2022	1,650	-0.9	8,015	274%
Oct-Dec 2022	2,178	-0.7	8,528	106%
Jan - Mar 2023	2479	-1.1	8,814	34%
Apr - June 2023	2,045	19.3	8,352	4%

7.4 Chart 11: Gas Use Main Building



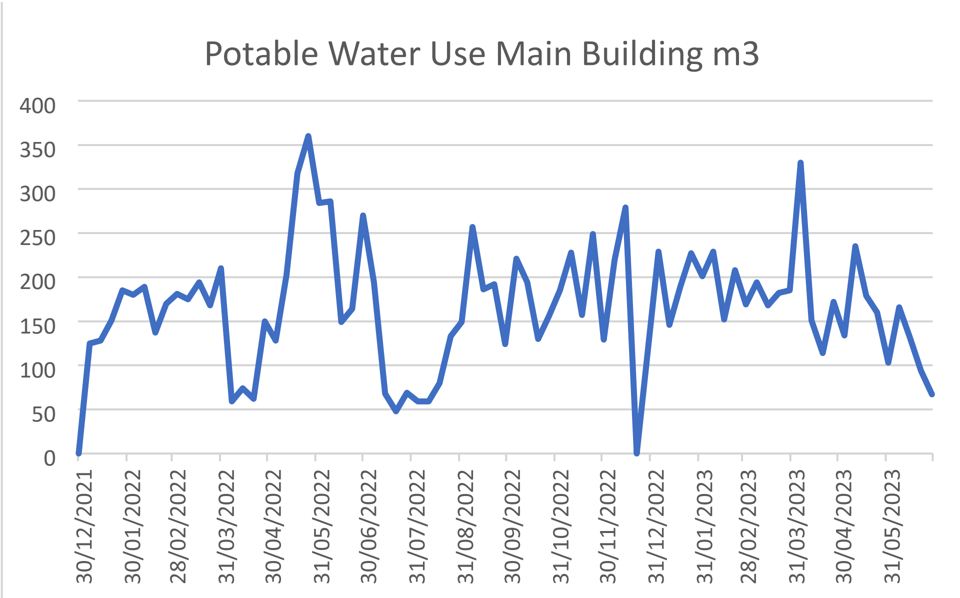
7.5 The ongoing challenge for the College will be to consider how it can reduce its energy consumption given the substantial rising costs in energy bills. This is where staff training is important when considering how to use energy efficiently within the College.

7.6 Chart 12: Potable Water use Annexe



7.7 The low water usage in the annex is due to all toilet flushing coming from the rainwater harvesting system.

7.8 Chart 13: Potable Water use Main Building



7.9 Solutions to the reduction of potable water consumption that are still be considered as part of a wider capital expenditure programme are to introduce waterless urinals, water solenoid valves and replace taps with 2 litre flow restrictors. The College was successful in August 2023 with Grant Funding of £10,000 from the Water Efficiency Fund to start this project.

8 RISK

8.1 That essential estates work is not carried out on a timely basis impacting on the learner experience.
8.2 That there is a failure to adhere to statutory and legislative health & safety requirements

9 EQUALITIES

9.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

10 RECOMMENDATIONS

10.1 Members are recommended to note the contents of this report and:

10.1.1 Progress on the intrusive and non-intrusive building conditioning survey;
10.1.2 Contract monitoring review; and
10.1.3 Sustainability charts reporting on energy, waste, water and gas.

FINANCE & RESOURCES COMMITTEE

DATE	21st August 2023
TITLE OF REPORT	Consideration of the annual Accounts Direction Guidance issued by SFC
REFERENCE	6.5
AUTHOR AND CONTACT DETAILS	Elaine McKechnie, Financial Accountant, Elaine.mckechnie@slc.ac.uk
PURPOSE:	To update Board and Committees on annual Accounts Direction guidance, identifying any amendments in approach for the purposes of 2022-23 Financial Statements.

KEY RECOMMENDATIONS/ DECISIONS:	The Board and Members are asked to: • Note no significant changes in Accounts Direction guidance for 2022-23 Financial Statements production. • Note that a new SORP will likely be effective from Academic Year 2024-25 but does not impact on 2022-23 or 2023-24 reporting. • Note that Audit Scotland issued a Good Practice Note on enhancing the quality of financial reporting within the Remuneration Report on 29 May 2023. It is recommended that the Committee accept the proposals noted within the report. • Committee also asked to note that CIPFA have issued a Bulletin to provide guidance on closing the 2022/23 financial statements; this has been done and is attached below. Within that guidance and pertinent to Scottish publicly funded bodies are: i. Reporting impacts of inflation and interest rates in current climate ii. Grant recognition and presentation within balance sheet where conditions of spend have not yet been met; iii. Subsequent measurement of property, plant & equipment iv. Accounting standards that have been issued but not yet adopted. v. Accounts closure process.
	Having reviewed the updates, finance conclude that these areas and changes do not pose any significant impact on the reporting of College financial results for 2022-23.
RISK	• Risk of non-compliance with statutory and legal obligations by Board and Committees to ensure good corporate governance and accurate financial reporting.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours

SUMMARY OF REPORT:	There are no significant changes to the requirements contained in the Accounts Direction issued by SFC. The College will consider the recommendations from the Good Practice Note in respect of the Remuneration Report, as outlined above. The two documents have been attached for the information of members. College management has formalised the accounts production and reporting process, as per the table below.

1. INTRODUCTION

1.1. This paper provides a brief outline of annual Accounts Direction guidance as issued by the Scottish Funding Council (SFC), together with a Good Practice Note as issues by Audit Scotland and another technical Bulletin from CIPFA.

2 BACKGROUND

2.1 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).

2.2 The Scottish Funding Council set out specific, mandatory disclosures for incorporated Colleges annually and these should be considered internally by the College prior to Financial Statements preparation to ensure full compliance.

2.3 Moreover, Audit Scotland seeks to promotes high-quality financial reporting in Scottish public bodies. Audit Scotland's Professional Support carries out reviews of the annual accounts of public bodies to identify and share examples of good practice reporting and highlight areas where enhancements can be made. These enhancements should be considered within the context of accounting disclosures and so it is pertinent that both are considered together within this report.

2.4 Audit Scotland have also referenced a technical Bulletin that has been issued by CIPFA, the Chartered Institute of Public Finance & Accountancy to provide guidance on closing the 2022/23 financial statements. There are a few points within that bulletin that are relevant to Scottish local government organisations and are discussed below.

3 DISCUSSION

3.1 In terms of the accounts guidance for 2022-23, no significant changes have been noted since last year.

3.2 The Good Practice Note in respect of Remuneration Report within the Financial Statements recommends several actions, namely to:

- Clearly identify the parts of the Remuneration Report that are subject to audit.
- Rather than using narrative around tables, make better use of remuneration tables for disclosing changes in senior personnel and new appointments made mid-year within the tables.
- Disclose the College's ***target*** for sickness absence alongside the actual % for the year and provide comment of any trends or factors influencing the statistic.
- For fair pay disclosures, consider using a combined, tabular format to disclose highest paid senior management team member, the staff average remuneration and the median, upper, and lower percentile remunerations. FReM further requires disclosure of the reasons for any change in current year pay ratios compared to prior year.

3.3 Within that Technical Bulletin issued by CIPFA and pertinent to Scottish local government are:

- Reporting impacts of inflation and interest rates in current climate which is less relevant for us given no current loan/overdraft facilities in use; albeit increased bank interest in the year

- Reinforcing grant recognition and presentation should be within balance sheet where conditions of spend have not yet been met, which is already standard practice for the College;

- For subsequent measurement of property, plant & equipment, management are required to take a critical view of any valuation reports received considering the current economic climate. Ensure sufficient challenge is raised for any significant changes to valuations.

- Accounting standards that have been issued but not yet adopted should be disclosed. This primarily refers to IFRS 16 Leases which dictates that operating leases ('pay as you go' leases) need to be disclosed on the balance sheet. This is less relevant to the College as it does not currently utilise many operating leases but will be considered fully during the accounts preparation process.

- Accounts closure process to be timetabled and mapped out with stringent deadlines to ensure effective working practices lead to quicker close process. Please see schedule below detailing key deliverables and timeline for completion by Finance Team.

All things considered, there is no need to deviate from any existing accounts disclosures in 2022-23, however it is recommended that some of the best practices for the remuneration report are taken on board and that an accounts closure process be mapped out to ensure timely production of the Financial Statements.

4 EQUALITIES

There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

5 RISK AND ASSURANCE

Risk of non-compliance with statutory and legal obligations by Board and Committees to ensure good corporate governance and accurate financial reporting.

6 RECOMMENDATIONS

Members are recommended to:

- note the contents of this report and the attachments in relation to the annual Financial Statements that will be produced for 2022-23.

Year-end planning

Financial Audit 2022-23

Month	Task	Responsibility	Assisted by	Completion Date	Comments
Aug 2023	July P&L management accounts for budget holders	BMcM	N/A	18 Aug 2023	
	Post all residual journal entries including payroll	BMcM, EMcK	AMMcC	18 Aug 2023	
	Balance Sheet Reconciliations	BMcM, EMcK	N/A	25 Aug 2023	
	Ask Chair, Principal & Governance Professional to review performance Report/Governance Statement within Financial Statements	EMcK (copy KMcA)	PH, SMcM, PFS	30 Sept 2023	
	Actuarial Papers received for year end valuation from Hymans Robertson	EMcK	N/A	31 Aug 2023	
Sep 2023	Financial Statement Production	EMcK, KMcA	Finance Team	29 Sept 2023	Elaine working 4 days a week in Sep/Oct
Oct 2023	Audit Scotland Fieldwork	KMcA, EMcK, BMcM	Finance Team	16 Oct – 27 Oct 2023	
	Excel accounts to NCL for consolidation	EMcK, KMcA	N/A	18 Oct 2023	Send to Lynn MacKenzie
	Final clearance meeting with Head of Finance to agree final stats	KMcA, Audit Scotland	N/A	31 Oct 2023	

Nov 2023	Issue proposed audit report, letter of management rep and independent auditor report to Audit & Risk Committee	Audit Scotland	BoM	13 Nov 2023	
	Presentation of proposed annual audit report to Audit & Risk Committee which allows Finance & Resources to consider the Annual Report and Financial Statements.	Audit & Risk Committee	Chair of Finance & Resourc es Committ ee	27 Nov 2023	
	Consideration of the Annual Report and Financial Statements by the Finance and Resources Committee with a view to recommending these to the Board of Management for approval. Confirmation given to the RSB that the Financial Statements have been recommended for approval.	Finance & Resources Committee	Chair of the Audit & Risk Committ ee	27 Nov 2023	
Dec 2023	Meeting of the Board of Management to approve Financial Statements.	EMcK/ VP/Head	N/A	5 Dec 2023	

	Lodge Annual Report and Financial Statements with Audit Scotland and the Scottish Funding Council Complete and lodge financial statements template with Scottish Funding Council	Audit Scotland (as external auditors) EMcK/ VP /Head		31 Dec 2023 31 Dec 2023	
April 2024	Lodge financial statements with OSCR once these have been laid before the Scottish Parliament	EMcK/ VP/Head	N/A	30 Apr 2024	

BMcM Bill McMahon (Management Accountant)

EMcK Elaine McKechnie (Financial Accountant)

KMcA Keith McAllister (Head of Finance)

VP Vice Principal (Finance, Resource and Sustainability)

Note:

Dates of the Regional Strategic Board to be noted

Audit and Risk Committee 4 Dec 2023

Finance and Resources Committee 4 Dec 2023

Regional Strategic Board 11 Dec 2023

Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

SFC GUIDANCE

REFERENCE: SFC/GD/22/2023

ISSUE DATE: 20/07/2023

Accounts Direction for Scotland's Colleges 2022-23

Accounts Direction for Scotland's Colleges 2022-23

ISSUE DATE:	20 July 2023
REFERENCE:	SFC/GD/22/2023
SUMMARY:	To provide SFC's 2022-23 accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board
FAO:	Principals / Executive Director / Finance Directors / Board Secretaries of Scotland's colleges and Glasgow Colleges' Regional Board and the general public
FURTHER INFORMATION:	**CONTACT:** Andrew Millar **JOB TITLE:** Assistant Director **DIRECTORATE:** Finance **TEL:** 0131 313 6538 **EMAIL:** amillar@sfc.ac.uk

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Accounts Direction for Scotland's Colleges 2022-23

1. It is the Scottish Funding Council's direction that institutions[1] comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts[2].

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

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

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

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

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

Scottish Funding Council

20 July 2023

[1] The term "institutions" includes colleges and Glasgow Colleges' Regional Board [2] 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.

Introduction and Structure of Accounts Direction

Mandatory and Corporate Governance Disclosures

7. We draw your attention to the specific mandatory disclosures for non-incorporated colleges in **Appendix 1** and for incorporated colleges and Glasgow Colleges' Regional Board ("GCRB") in **Appendix 2**. The corporate governance disclosures required are listed in **Appendix 3**.

Deadlines

8. Incorporated and non-incorporated colleges[2] are required to provide their annual report and accounts, together with the associated annual audit reports, to us by 31 December 2023. If you consider that your college will be unable to meet this deadline, please contact SFC.

9. The annual report and accounts should be prepared with a 31 July year-end.

Future of the SORP

10. The Financial Reporting Council (FRC) has published an Exposure Draft (FRED 82[3]) on the future of FRS 102 on which the SORP is based. Leasing and revenue recognition are two of the main areas of change contained in the Exposure Draft bringing the treatment under FRS 102 into line with International Financial Reporting Standards (IFRS). Once FRED 82 is adopted into FRS 102, the work on updating the SORP to reflect these changes will begin. It is expected that the new SORP will become effective from Academic Year 2024-25 but this may be subject to change.

2022 Code of Good Governance for Scotland's Colleges

11. The latest version of the Scottish Code of Good Governance was published in September 2022: Institutional governance for colleges (sfc.ac.uk). The new Code contains minor revisions (e.g. a new section covering the role of the Senior Independent Member) since the last version of the Code published in 2016. Institutions are asked to comply with the 2016 version of the Code for 2022-23 and adopt the 2022 Code in 2023-24.

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[2] The term non-incorporated college covers Argyll College, Newbattle Abbey College, Sabhal Mòr Ostaig, Shetland College and West Highland College. Orkney College forms part of Orkney Islands Council and will be included in the annual report and accounts of the local authority.

[3] https://www.frc.org.uk/ge tattachment/6b9ffe9f-4870-4bb7-9eb67606014fe27e/FRED-82.pdf

Appendix 1

Mandatory Disclosures – Non-incorporated Colleges

1. Listed below are disclosures which non-incorporated colleges must include in the financial statements.

Strategic Report[4]

2. A list of members of the governing body and key committees. This should cover all those who served during the period and include any changes up to the date of signing the annual report and accounts. The report should also disclose attendance of individual members at board meetings but this can be disclosed as a percentage attendance for each member for the year.

3. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.

4. A statement on the employment of disabled persons where the average number of all persons employed in the year exceeds 250.

5. The report should provide a commentary on the college financial performance in the year. This should include a table setting out the adjusted operating position for the year in accordance with the template included in **Appendix 4**.

6. The commentary should explain the impact of current inflationary pressures, geopolitical issues and Brexit on the college's financial position.

7. In addition, in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the following information must be published:

   - Relevant union officials.
   - Percentage of time spent on facility time.
   - Percentage of pay bill spent on facility time.
   - Paid trade union activities.

8. An example of the disclosure required is given in **Appendix 8** of this Direction.

[4] Further guidance on Strategic reports is given in the 2019 SORP (paragraphs 3.23 to 3.26)

Notes to the Accounts

9. The audit and non-audit fees paid to external and internal auditors.

Corporate Governance

10. We require non-incorporated colleges to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the college has complied with good practice in this area.

11. It is a condition of the Financial Memorandum (FM) with SFC or the RSB (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland's Colleges ("the Scottish Code"). Colleges are required to include a statement in their accounts confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation should be provided in the event that the college's practices are not consistent with particular principles. A form of wording for the compliance statement is included at **Appendix 3(a)**.

12. We recognise that each college will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing their governance statement, colleges should give due regard to the guidance contained in **Appendix 3**.

13. Colleges should also refer to the Audit Scotland 'Good practice note on improving the quality of college annual report and accounts - Governance statements' published in May 2019.

14. Colleges should be aware that their external auditors will be reviewing the corporate governance statement as part of their audit and will be including a reference to this in their audit report.

Remuneration

15. The actual total remuneration of the head of the college, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind. This should be the actual figure and not a banding. Where there is a change of head of the college during the year, details should be given separately for each person, noting the dates each was in post. Where the head of the college has been paid salary in lieu of pension contributions, this should be explained in the note.

16. The total number of higher paid staff, including senior post-holders, in bands of £10,000, above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.

17. The aggregate amount of any compensation for loss of office payable to the head of the college and any staff member earning in excess of £60,000 per annum, together with the number of people to whom this was payable, or where the costs of all elements of a proposed arrangement amount to more than £75,000.

18. Audit Scotland published a Good Practice Note on the preparation of the Remuneration report in May 2023 which colleges should refer to. The Good Practice Note can be found here: Remuneration Report - Good Practice Note on enhancing the quality of financial reporting (audit-scotland.gov.uk).

National Bargaining Support Staff and Middle Management Job Evaluation Costs

19. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Where relevant, support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

Appendix 2

Mandatory Disclosures – Incorporated Colleges and Glasgow Colleges’ Regional Board

1. Institutions[5] are required to comply with the Government Financial Reporting Manual (FReM) for 2022-23 as well as complying with the SORP. The additional disclosures required in institutions’ annual report and accounts to comply with the FReM (i.e. those areas not addressed in the SORP) are set out in the various disclosures below. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.

2. The disclosures which institutions must include in the annual report and accounts are outlined below.

The Performance Report

3. Chapter 5 of the FReM requires institutions to include a Performance Report in their annual report and accounts. The report will provide information on the institution, its main objectives and strategies and the principal risks that it faces. The report must provide a fair, balanced and understandable analysis of the institution’s performance, including both positive and negative aspects. The report, which should be signed and dated by the College Principal or Executive Director, should contain an overview of performance in the year and a Performance Analysis. Auditors will review the Performance Report for consistency with the financial statements and compliance with the Accounts Direction and give an opinion on this.

4. The Performance Overview should give the user sufficient information to understand the organisation, its purpose, its objectives, its performance and both the impact of and management of key risks. As a minimum, the Overview should include:

   - A short summary explaining the purpose of the overview section.
   - A statement from the Principal or Executive Director providing their perspective on the performance of the institution over the period. This should include an explanation of the impact of current inflationary pressures, geopolitical issues and Brexit on the college’s performance.

[5] In this section “institutions” refers to all incorporated colleges and Glasgow Colleges’ Regional Board.
The disclosures for Glasgow Colleges’ Regional Board and New College Lanarkshire will cover the regional performance of their assigned colleges.

- A statement of the purposes and activities of the institution including a brief description of the business model and environment, organisational structure, objectives and strategies, including estates management strategies.
- A summary of key issues and principal risks that could affect the institution in delivering its objectives and explanation of the mitigation of those risks.
- An explanation of the adoption of the going concern basis where this might be called into doubt, for example where there are significant net liabilities which may require to be funded from public sources. Mitigating actions taken as a result of inflationary impacts should form part of the going concern commentary.
- A performance summary including key indicators.
- Confirmation of compliance with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009. The Schedule to the 2015 Order sets out the required content for the report.
- Disclosures on cash budget for priorities and adjusted operating position (see below).

5. The purpose of the Performance Analysis is for institutions to provide a detailed view of their performance.

6. Colleges should seek to tie in the Performance Analysis to other parts of the financial statements to provide a cohesive and consistent understanding of performance.

7. Guidance on preparation of the Performance Analysis is given in section 5.4 of the FReM. Colleges should note the mandatory requirements listed in section 5.4.4 d-m (excluding e, h and l which do not apply in Scotland).

8. In addition to the mandatory FReM requirements noted above, the Performance Analysis must include:

    - Description of the way in which the institution has promoted equality of delivery of service to different groups and had due regard to public sector equality duty under the Equality Act 2010. This may include a cross reference to separately published reports dealing with Public Sector Equality Duties.

    - A brief commentary outlining the Fair Work practices that have been developed in agreement with the institution’s workforce and the progress the institution has made in their implementation.

9. Further guidance on the preparation of Performance statements is given in the Audit Scotland Good Practice Note: Good practice note on improving the quality of central government annual report and accounts - Performance reports.

Cash Budget for Priorities (CBP)

10. Colleges are required to provide in the Performance Report a breakdown of spend of the CBP allocation for Academic Year 2022-23. Colleges have a fixed annual CBP and they should disclose how this has been spent in the academic year. This should take the form of a table showing the expenditure under each heading. An illustrative form of wording for the Performance Report disclosure is given in **Appendix 5**. The details of each college's fixed CBP are given in **Appendix 6.** Glasgow Colleges' Regional Board does not itself have a CBP but the consolidated position of the assigned colleges should be reflected in the regional accounts.

Depreciation Budget for Government-funded Assets

11. Colleges are required to include a statement at the foot of the Statement of Comprehensive Income (SOCI) and also a note to the accounts explaining the impact of the depreciation budget for government-funded assets. This is required because the depreciation budget allocation cannot be reflected as income in the SOCI under the FE/HE SORP accounting rules.

12. The adjustment is to add the actual depreciation budget to the SOCI surplus/(deficit) in order to reflect the results on a Government accounting basis for the academic year.

13. The form of wording for the statement at the foot of the SOCI and the note to the accounts is set out in **Appendix 7**.

14. Glasgow Colleges' Regional Board does not itself have a depreciation budget but the consolidated position of the assigned colleges should be reflected in the regional accounts.

Adjusted Operating Position (AOP)

15. The Performance Report must also provide details of the AOP for Academic Year 2022-23. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. Institutions should explain what these adjustments are and why they have been made. All adjusting items included in this calculation must be visible (i.e. separately disclosed) in the SOCI or notes as appropriate and should be cross-referenced from the AOP table.

16. The template for the computation of the AOP is shown in **Appendix 4**.

17. It is important that the calculation of the AOP is consistent with other disclosures within the Performance Report and accounts.

18. To ensure correct completion of the AOP and consistency across the sector, institutions should submit the AOP calculation, together with draft accounts, to SFC for review prior to the accounts being signed off. Institutions are encouraged to submit the AOP as early as possible to allow time for review.

Payment Practice

19. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.

The Accountability Report

20. Requirements for the Accountability report are set out in Chapter 6 of the FReM. The Accountability Report is required to have three sections:

- Corporate Governance report.
- Remuneration and Staff report.
- Parliamentary Accountability report.

Corporate Governance Report

21. The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

22. As a minimum, the Corporate Governance report must include a Directors' report, a statement of the Board of Management / Board responsibilities and a governance statement. These elements should be clearly identified.

Directors' Report

23. The Directors' report should set out the membership of the Board of Management/Board and also those members of the senior management team who influence the decisions of the institution as a whole. Details should be given of any directorships or other interests which the members have or a link provided to the relevant Register of Interests. Any information on personal data-related incidents reported to the Information Commissioner's Office should also be disclosed.

Statement of Board of Management/Board Responsibilities

24. The FReM requires government bodies to provide a Statement of Accounting Officer's responsibilities. The SFC Chief Executive provides a governance certificate of assurance covering all institutions to the Principal Accountable Officer of the Scottish Government, based upon certificates of assurance provided by institutions[6]. In light of this unique arrangement, institutions are required to provide a Statement of Board's responsibilities within their Corporate Governance report.

Governance Statement

25. We require institutions to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the institution has complied with good practice in this area.

26. It is a condition of the FM with SFC or the Regional Strategic Body (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland's Colleges (the Scottish Code). All institutions are required to include a statement confirming compliance with the Scottish Code. In line with the principles of comply or explain, an explanation should be provided in the event that the institution's practices are not consistent with particular principles. A form of wording for the compliance statement is included at **Appendix 3(a)**.

27. Paragraph 6.4.8 of the FReM sets out the minimum information that a Governance Statement should acknowledge and explain. In preparing the Governance Statement, institutions must comply with the FReM and also with the guidance set out in the Governance Statement section of the SPFM.

28. We recognise that each institution will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing their governance statement, institutions should give due regard to the guidance contained in **Appendix 3**.

29. The governance statement should also outline and explain the changes to the governance framework and any other governance implications arising from the exceptional inflationary pressures exerted on the sector.

30. Institutions should be aware that their external auditors are required to read the information in the Performance Report and the governance statement and express an opinion in the independent auditor's report on whether:

    - The information given in the Performance Report and governance statement is consistent with the financial statements.

[6] Regional Strategic Bodies provide the certificate of assurance to SFC based upon certificates of assurance provided by the assigned colleges.

- The Performance Report and governance statement has been prepared in accordance with the accounts direction.

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31. Further guidance is available in the Audit Scotland 'Good practice note on improving the quality of college annual report and accounts - Governance statements' published in May 2019.

Remuneration and Staff Report

32. Institutions are required to include within their annual report and accounts a remuneration and staff report in accordance with Chapter 6 (Paras 6.5.1 to 6.5.29, and Para 6.5.45) of the FReM. As in 2021-22, this includes significant changes to Fair Pay disclosures with pay multiples disclosures extended to include upper and lower quartile ratios and further explanations (Paras 6.5.19 to 6.5.29). A best practice disclosure for Diversity and Inclusion (Para 6.5.46) encourages institutions to include details and narrative of their own diversity and inclusion policies, initiatives and longer-term ambitions in the staff report. Further information is contained in the FReM 2022-23.

33. Institutions should also refer to further guidance contained in Employers Pension Notice: **EPN679 - Resource Accounts: 2022-23 disclosure of salary, pension and compensation information:** EPN679 - Resource Accounts: 2022/23 disclosure of salary, pension and compensation information - Civil Service Pension Scheme.

34. Although EPN 679 deals specifically with the Civil Service Pension Scheme, it does contain a standard format for disclosure and explanations of what should be included in the report in order to comply with the FReM. The Remuneration report should set out the remuneration and accrued pension benefits of senior managers of the institution and this will include those named in the Directors' report (see paragraph 23 above).

35. An example Remuneration report is attached at **Appendix 8**. It is important to note that individuals should be informed in advance of the intention to disclose their salary information in this report. There is a presumption that information about named individuals will be given unless there is specific justification for not disclosing this (see FReM paragraph 6.5.4 for circumstances where non-disclosure is acceptable). In other cases it would be for the staff member to make a case for non-disclosure which should be considered by the institution on a case by case basis. Where non-disclosure is agreed, the fact that certain disclosure has been omitted should be disclosed.

36. The Staff report must include the following information:

    - The number of senior staff by band.

- Staff numbers and costs distinguishing between permanent contract staff and agency/contract staff.
- Staff composition – the number of persons of each sex who were directors or employees of the institution.
- Sickness absence data.
- Staff turnover expressed as a percentage.
- Staff policies applied during the year:

  (a) For giving full and fair consideration to applications for employment to the institution made by disabled persons, having regard to their particular aptitudes and abilities.

  (b) For continuing the employment of, and arranging appropriate training for, employees of the institution who have become disabled persons during the period they were employed by the institution.

  (c) Otherwise for the training, career development and promotion of disabled persons employed by the institution.

- The number and overall value of exit packages (as approved by SFC under Severance Guidance).
- Other employee matters – such as other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and/or participation; health and safety at work; trade union relationships and human capital management such as career management and employability, pay policy etc.[7]

37. In addition, in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the following information must be published:

- Relevant union officials.
- Percentage of time spent on facility time.
- Percentage of pay bill spent on facility time.
- Paid trade union activities.

[7] This FReM requirement strengthens non-financial reporting for the benefit of users of the accounts and aligns with the introduction of EU Regulations and Directives. Further guidance is available at the following link: http://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX:52017XC0705(01)

38. Audit Scotland published a Good Practice Note on the preparation of the Remuneration report in May 2023 which colleges should refer to. The Good Practice Note can be found here: Remuneration Report - Good Practice Note on enhancing the quality of financial reporting (audit-scotland.gov.uk).

Parliamentary Accountability Report

39. The FReM requires the inclusion of a Parliamentary Accountability report and, for Scottish government bodies, the requirements are reflected in the SPFM. The disclosures required are:

- Fees and charges for each service where the full annual cost is £1 million or more, or (if lower) where the amount of the income and full cost of the service are material to the financial statements:
    - Financial objective
    - Performance against that financial objective. The standard approach to setting charges for public services is full cost recovery but the SPFM lists some exceptions e.g. subsidised services. ○ Full cost of the service. ○ Income from charging for the service.
    - Surplus or deficit.
- Disclosure of contingent liabilities, specifically enforceable undertakings given in the form of a guarantee or indemnity which would bind the body into providing the resources in the event of the guarantee or indemnity maturing; or a letter or general statement of comfort which could be considered to impose a moral obligation.
- Disclosure of total losses exceeding £300,000 and total special payments exceeding £300,000.

40. It is not envisaged that the Parliamentary Accountability disclosures will require to be completed by most institutions unless they are material.

41. The Accountability report should be signed and dated by the Principal or Executive Director.

Notes to the Accounts

42. The audit fees and non-audit fees paid to external and internal auditors.

43. The actual total remuneration of the Principal or Executive Director, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind. Where there is a change of Principal or Executive Director during the year, details should be given separately for each person, noting the dates each was in post. Where

the Principal or Executive Director has been paid salary in lieu of pension contributions, this should be explained in the note.

44. The total number of higher paid staff, including senior post-holders, in bands of £10,000 above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.

45. The tables in the staff cost note required in paragraph 44 should be cross-referenced to the remuneration and staff report. Alternatively, if institutions prefer, the tables can be included in the remuneration and staff report and cross-referenced to the staff costs note. This will avoid duplication of the information.

National Bargaining Support Staff and Middle Management Job Evaluation Costs

46. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

Appendix 3

Governance Statement Guidance for Institutions

1. Institutions are required to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the institution has complied with good practice in this area.

2. It is a condition of the Financial Memorandum with the SFC or the Regional Strategic Body (for assigned colleges) that governing bodies meet the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges. All institutions are required to include a statement in their corporate governance statements confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation must be provided in the event that the institution's practices are not consistent with particular principles. The template to be used for the compliance statement is at **Appendix 3(A)**.

3. The following should be included in the governance statement:

    - The governance framework of the institution, including information about the committee structure of the Board of Management / Board and the coverage of its work.
    - The operation of the Board of Management / Board, including membership and attendance of individual members at meetings, during the period.
    - An assessment of corporate governance with reference to compliance with the Scottish Code and explanations of any departures from the Code.
    - Responsibilities for risk management and internal control systems and for reviewing their effectiveness.
    - The ongoing process and structures used to identify, evaluate and manage the principal and emerging risks faced.
    - A statement that the systems have been in place for the year under review and up to the date of approval of the financial statements.
    - The main features that support regular monitoring, review and assurance.
    - The process applied in reviewing the effectiveness of the system of risk management and internal control, including explaining what actions have been or are being taken to remedy any significant failings or weaknesses.
    - In setting out principal risks and uncertainties, colleges should consider the

specific risks arising from inflationary pressures, geopolitical issues and Brexit and the steps being taken to mitigate those risks.

- Details of any significant lapses of data security.
- Confirmation that the institution is a going concern, with supporting assumptions and qualifications as necessary. This disclosure provides support for the use of the going concern accounting policy and should not be inconsistent with the disclosures regarding going concern either in the annual report and accounts or the auditors' report thereon.

4. Institutions should refer to the Audit Scotland '[Good practice note on improving the quality of college annual report and accounts - Governance statements]' which is based on a review of the corporate governance statements in the 2017-18 institution accounts. Audit Scotland identifies key characteristics which make for a high quality corporate governance statement, including:

    - There should be a single, coherent narrative running through the whole of the annual report and accounts.
    - The governance statement, wherever possible, should be brief, focused and high level.
    - The governance statement should be open and transparent and should reflect the specific matters that cause concern to the Board of Management / Board.
    - Emphasis should be on assessing the effectiveness of the arrangements rather than simply providing an explanation of the arrangements.
    - Key risks should be identified, the impact analysed and steps taken to mitigate the risk should be reflected in the statement.
    - The statement should provide understandable information and use precise language that explains issues clearly.

Appendix 3 (A)

Template for Statement of Compliance with the 2016 Code of Good Governance for Scotland's Colleges

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

The institution complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges with the exception of xxxx. The institution is taking action to address this by xxxx and xxxx and expects to be fully compliant by xxxx.

Appendix 4

Model Adjusted Operating Position (AOP) Note

1. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. All adjustments should be cross-referenced to the relevant note in the financial statements.

	2022-23 £'000	2021-22 £'000
Surplus/(deficit) before other gains and losses		
Add back:		
- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 1)		
- Exceptional non-restructuring costs - Impairment (Note 2)		
- Pension adjustment – Net service cost (Note 3)		
- Pension adjustment - Net interest cost (Note 4)		
- Pension adjustment - Early retirement provision (Note 5) - Donation to Arms-Length Foundation (ALF)* (Note 6)		
Deduct:		
- Non-Government capital grants (e.g. ALF capital grant) (Note 7)		
- Exceptional income (if disclosed as exceptional in accounts) - Insurance claim (Note 8)		
- CBP allocated to loan repayments and other capital items* (Note 9)		
- NPD income applied to reduce NPD balance sheet debt (Note 10)		
Adjusted operating surplus/(deficit)		

*incorporated colleges only

Explanation for Adjusting Items

Note 1: Depreciation does not have an immediate cash impact on the institution and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is taken out.

Note 2: The exceptional non-restructuring adjustment will relate to any material one-off charges in year which may distort the accounts.

Note 3: The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

Note 4: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Note 5: The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or deleting employees.

Note 6: The ALF donation is paid out of the commercial surplus for the year so is adjusted to arrive at the pre-donation operating position.

Note 7: Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

Note 8: Exceptional income items which distort the results for the year are excluded. This is only relevant where the item is disclosed as exceptional in the accounts.

Note 9: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. Loan repayments should only be adjusted where CBP has been used to fund them.

Note 10: NPD grant income is included in the SOCI but the payment is applied to reduce the balance sheet liability and, as this would overstate the surplus, is therefore adjusted.

Appendix 5

Spend of Cash Budget for Priorities (Incorporated Colleges and Glasgow Regional Colleges' Board[8] Only)

Illustrative Form of Words for Inclusion in Performance Report

1. Following their reclassification as central government bodies from 1 April 2014, colleges are also required to comply with Central Government budgeting rules. In addressing the

[8] Glasgow Colleges' Regional Board and New College Lanarkshire accounts will reflect the consolidated position of the assigned colleges.

impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

2. Colleges have now each been given a fixed cash budget for priorities (see **Appendix 6**) which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed below.

Table of cash budget for priorities spend		
Revenue Priorities	2022-23 (£'000)	2021-22 (£'000)
Student support		
2015-16 pay award		
Voluntary severance		
Estates costs		
Other agreed priorities (give detail)		
Total impact on operating position		
Capital Priorities		

Table of cash budget for priorities spend		
Loan repayments (including PFI, NPD repayments)		
Estates costs		
Provisions pre 1 April 2014 (give detail) carried on balance sheet		
Total Capital		

Total cash budget for priorities spend

Appendix 6
Fixed Cash Budget for Priorities per College (Incorporated Colleges Only)

Region	College	2022-23 cash budget for priorities £'000
Ayrshire	Ayrshire College	1,324
Borders	Borders College	252
Dumfries & Galloway	Dumfries & Galloway College	390
Edinburgh	Edinburgh College	2,547
Fife	Fife College	2,152
Forth Valley	Forth Valley College	613
Glasgow	City of Glasgow College	1,156
Glasgow	Glasgow Clyde College	612
Glasgow	Glasgow Kelvin College	442
Highlands & Islands	Inverness College	496
Highlands & Islands	Lews Castle College	143
Highlands & Islands	Moray College	424
Highlands & Islands	North Highland College	97
Highlands & Islands	Perth College	529
Lanarkshire	New College Lanarkshire	863

Lanarkshire	South Lanarkshire College	197
North East Scotland	North East Scotland College	1,161
Tayside	Dundee & Angus College	1,055
West	West College Scotland	1,639
West Lothian	West Lothian College	190

Appendix 7

Impact of Depreciation Budget on Statement of Comprehensive Income (Incorporated Colleges and Glasgow Colleges' Regional Board[9] Only)

Illustrative form of words for inclusion In the Statement at the foot of the Statement of Comprehensive Income

1. The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note X provides details of the adjusted operating position on a Central Government accounting basis.

Illustrative form of words for inclusion in the Notes to the Accounts

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

[9] Glasgow Colleges' Regional Board does not itself have a depreciation budget but the consolidated position of the assigned colleges should be reflected in the regional accounts.

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

4. This demonstrates that the college is operating sustainably within its funding allocation.

or

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

	2022-23 £’000	2021-22 £’000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year		
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year		
Operating surplus/(deficit) on Central Government accounting basis for academic year		

Appendix 8

Template for Remuneration Report (for Incorporated Colleges and Glasgow Colleges' Regional Board Only)

Remuneration Policy

1. Institutions should outline here the details of their remuneration policy for the Principal or Executive Director and senior managers and also outline the operation of the Remuneration Committee.

Remuneration (including Salary) and Pension Entitlements

Remuneration (Salary, Benefits In Kind And Pensions)[11]

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

Single total figure of remuneration						
	Year ended 31 July 2023			Year ended 31 July 2022		
Name	*Salary £'000*	*Pension Benefit[12] £'000*	*Total £'000*	*Salary £'000*	*Pension Benefit £'000*	*Total £'000*
Name A						
Name B						

3. Where applicable, performance pay or bonuses payable, salary paid in lieu of pension and non-cash benefits in kind should also be disclosed separately in the above table. Explanations of these items should also be provided to aid the understanding of the users of the financial statements.

FAIR PAY – PAY MULTIPLES

4. Institutions are required to disclose the relationships between the remuneration of the

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11 The details in this table are subject to audit.

12 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

highest paid official and the remuneration of their workforce.

5. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

6. While there was a pre-existing requirement around disclosures of median pay ratios, the 2021-22 FReM introduced new requirements around disclosures of 25th and 75th percentile pay ratios, their comparison to the remuneration of the College's highest paid official, percentage changes from the previous year and explanations of any changes.

	2022-23 £'000	2021-22 £'000	Change %
Range of workforce remuneration			
%age change in salary and allowances for employees as a whole			
Highest paid official remuneration			
Performance pay/bonus for highest paid director (disclose for employees as a whole where applicable)			
Median (total pay and benefits)			
Median (salary only)			
Ratio			
25th percentile (total pay and benefits)			
25th percentile (salary only)			
Ratio			
75th percentile (total pay and benefits)			
75th percentile (salary only)			
Ratio			

Explanation of changes (per FReM 6.5.26)

7. The banded remuneration of the highest paid official in the institution in the financial year 2022-23 was £xxx (2021-22 £xxx). This was x times (2021-22x times) the median remuneration of the workforce which was £xx (2021-22 £xx).

8. [Explanation for changes in the ratio]

Accrued Pension Benefits

9. Institutions should outline here the pension schemes in operation and give a brief explanation of how benefits accrue for the employees.

Senior Officials Pension

10. Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior managers are set out in the table below, together with the pension contributions made by the institution.

Name	Accrued pension at pension age at 31 July 2023	Accrued lump sum at pension age at 31 July 2023	Real increase in pension 1 August 2022 to 31 July 2023	Real increase in lump sum 1 August 2022 to 31 July 2023	CETV at 31 July 2023	CETV at 31 July 2022	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Name A							
Name B							

Cash Equivalent Transfer Value (CETV)

11. 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.

12. 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 Local Government Pension Scheme service and not just their current appointment.

13. 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

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

Compensation for Loss of Office

15. xx employees left under voluntary exit terms on xx/xx/xx. They received a compensation payment of £'xxx.

16. xx employees left under voluntary redundancy terms on xx/xx/xx. They elected to take early retirement. The cost to the institution of buying out the actuarial reduction on their pension was £xx. They did not receive any additional compensation.

17. The table below summarises the exit packages by cost band.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed (including any voluntary redundancies)	Total number of exit packages by cost band
<£10,000			
£10,000 - £25,000			
£25,000 - £50,000			
£50,000 - £100,000			
£100,000 - £150,000			

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed (including any voluntary redundancies)	Total number of exit packages by cost band
£150,000 - £200,000			
Total number of exit packages			
Total cost (£)			

Salaries and Related Costs

	Directly employed staff on permanent UK contracts	Other staff including shortterm contract, seconded and agency staff	Total	Total
Wages and salaries				
Social security costs				
Other pension costs				
Total				
Average number of FTE				

Note: Where the number of staff under any one category of "other staff" is significant, that category should be separately disclosed.

18. The institution employed xx females and xx males as at 31 July 2023.

19. In the year ended 31 July 2023 staff turnover was x%.

Facility Time

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

Relevant Union Officials

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

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

Total cost of facility time:	
Total pay bill:	
Percentage of the total pay bill spent on facility time:	

Paid trade union activities

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

SFC GUIDANCE

REFERENCE: SFC/GD/22/2023

ISSUE DATE: 20/07/2023

Accounts Direction for Scotland's Colleges 2022-23 Guidance Notes

CONTENTS

Accounts Direction for Scotland's Colleges 2022-23: Detailed Notes for Guidance on Completion of 2022-23 Financial Statements

Introduction

1. These guidance notes are designed to supplement the Scottish Funding Council's Accounts Direction.

2. The guidance has been prepared with a view to improving the quality and consistency of financial reporting throughout the college sector.

General

3. The Statement of Recommended Practice for Further and Higher Education (SORP) was issued in October 2018 and is effective for accounting periods beginning on or after 1 January 2019. The SORP reflects the changes to UK Generally Accepted Accounting Practice following the issue of FRS 100, 101 and 102. A copy of the SORP and supporting materials can be found on the BUFDG website.

4. As noted in the SORP, institutions[10] must apply all requirements under FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', relevant legislation and accounts direction from Funding Bodies applicable to the institution.

5. Incorporated colleges and Glasgow Colleges' Regional Board[2] are also required to comply with the Financial Reporting Manual (FReM) and the Scottish Public Finance Manual (SPFM).

SFC and Regional Strategic Body Funding

6. The note analysing SFC grants or grants funded by Regional Strategic Bodies (RSBs) should provide sufficient information to allow the reader to understand the major types of grant received from each funding body. **Annex A** contains a model note which institutions should adopt as far as possible.

7. Any significant one-off or ring-fenced grants should be identified on a separate line.

[10] The term institution includes colleges and Glasgow Colleges' Regional Board. [2] 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.

While smaller grants may be grouped together under the heading “other”, this should not represent a significant portion (i.e. more than 20%) of the total grants received.

Tuition Fees and Education Contracts

8. Institutions should analyse tuition fees and contracts in accordance with the model notes given in **Annex B**.

Grants from Arms-Length Foundations

9. Institutions should disclose separately any revenue or capital grants received from arms-length foundations.

Student Support Funds

10. Paragraph 16.9 of the SORP states that “Where the institution disburses funds it has received as paying agent on behalf of a funding body or other body, and has no beneficial interest or risks related to the receipt and subsequent disbursement of the funds, these funds should be excluded from the Statement of Comprehensive Income of the institution.”

11. What constitutes an agency arrangement will depend upon each individual fund and its own individual characteristics. However, the following can be considered to be agency arrangements:

    - Further Education bursary funds.
    - Discretionary funds.
    - Education maintenance allowances.

12. Accordingly, these should be excluded from the Statement of Comprehensive Income and the movements disclosed in a note to the accounts. Where incorporated colleges have used the cash budget for priorities[11] to fund student support costs in excess of funding they should record this expenditure in the Statement of Comprehensive Income. To ensure comparability between institutions, we recommend that the standard note shown in **Annex C** is adopted.

[11] Glasgow Colleges’ Regional Board does not itself have a cash budget for priorities but the consolidated position of the assigned colleges should be reflected in the regional accounts.

13. FE and HE childcare funds received by institutions should be included in the main Statement of Comprehensive Income as institutions have more discretion in the manner in which these funds are disbursed and these funds do not therefore meet the definition

of agency funds. The income from childcare funds should be identified as a separate line in the Scottish Funding Council income note. Related expenditure from the fund should be shown as a separate line within the appropriate expenditure heading. A note of the movements on childcare funds should be disclosed in the notes in accordance with the model note given in **Annex C**. The guidance section on the SFC website provides further details of childcare guidance for FE and HE students studying at colleges.

14. Any in-year redistributions agreed by SFC should also be reflected in the notes. Amounts to be recovered should be identified as repayable to SFC or other body in the student support fund note.

15. Institutions should have in place systems which minimise incorrect payments of student support funds. However, where there has been overpayment for any reason and funds are recovered these should be credited to the fund balance at the time of recovery. The administrative costs of recovering these overpayments, in line with other administrative costs relating to student support fund payments, should be met from core funds.

16. A link to extant guidance relevant to non-advanced student support funds from SFC is given in **Annex D**.

Staff Costs

17. For consistency and clarity the headings shown in the staff costs note should be analysed as shown in **Annex E**. As in previous years, agency staff costs should be included as a separate line under 'Other operating expenses'.

18. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

Non-profit Distributing Projects

19. In accounting for the unitary charge payment, the split between the running cost and loan repayment elements should be disclosed in the notes to the financial statements.

Donations to Arms-length Foundations

20. Any donation to an arms-length foundation should be disclosed above the operating surplus line, under the expenditure headings, in the Statement of Comprehensive Income. The donation should be clearly disclosed in order to ensure transparency within the annual report and accounts.

Summary Pension Note

21. A model summary pension note disclosing SOCI charges and Balance Sheet movements is shown at **Annex F**. The suggested note is included within the guidance notes with a view to generating consistency of reporting between colleges of the key SOCI charges and Balance Sheet movements. The suggested note will form part of the wider disclosures on pensions required in the accounts though this additional information is not reflected in **Annex F**. It is important that the note sets out the non-cash movements charged to the SOCI (service costs and net interest cost) as these will also be disclosed and cross-referenced on the adjusted operating position table.

Annex A

Model Note: SFC and Regional Strategic Body Income

	2022-23 £'000	2021-22 £'000
SFC/RSB FE recurrent grant (including fee waiver)		
SFC/RSB financial sustainability funding		
UHI recurrent grant – HE provision		
FE childcare funds		
SFC/RSB Capital grants received		
Release of SFC/RSB deferred capital grants		
SFC grant for NPD		
Other SFC / RSB grants – FE provision		
Other UHI grants – HE provision		
Total		

Annex B

Model Note: Tuition Fees and Education Contracts

	2022-23 £'000	2021-22 £'000
FE fees – UK		

FE fees – EU
FE fees – non EU
HE fees
SDS contracts
Education contracts
Other contracts
Total

Annex C

Model Note: FE Bursaries and Other Student Support Funds

	2022-23 FE Bursary £'000	2022-23 EMAs £'000	2022-23 Other £'000	2022-23 Total £'000	2021-22 Total £'000
Balance b/fwd					
Allocation received in year					
Expenditure					
Repaid to SFC (recovery of funds)					
College contribution to funds					

Intra-region	allocations
Virements	
Balance c/fwd	
Represented by:	
Repayable to SFC (recovery of funds)	
Repayable to	region
Retained by college for students	

Note:

• The SAAS Discretionary fund should be included in the “other” column; and • The expenditure included above should be net of recoveries made in the year.

Annex C (Continued)

Model Note: FE and HE Childcare Funds (College Funds)

	2022-23 £’000	2021-22 £’000
Balance b/fwd		
Allocation received in year		
Expenditure		
Repaid to SFC (recovery of funds)		
College contribution to funds		
Intra-region allocations		

Virements
Balance c/fwd
Represented by:
Repayable to SFC (recovery of funds)
Repayable to region
Retained by college for students

Annex D

Extant SFC Guidance for Student Support Funds

22. Student support guidance for academic year 2022-23 can be found on the guidance section of the SFC website.

23. Guidance notes on the audit requirements for EMAs for 2022-23 and the audit requirements for student support funds for 2022-23 will be made available on the SFC website in summer 2023.

Annex E

Model Note: Staff Numbers and Staff Costs

Staff Numbers

	2022-23 Number	2021-22 Number
Academic / Teaching departments		
Academic / Teaching services		
Research grants and contracts		
Administration and central services		
Premises		
Other expenditure		
Catering and residences		
Total		

Staff Costs

	2022-23 £'000	2021-22 £'000
Academic / Teaching departments		
Academic / Teaching services		
Research grants and contracts		
Administration and central services		
Premises		
Other expenditure		
Catering and residences		
Sub-total		
Exceptional restructuring costs		
Total		

Annex F

Model Summary Pension Note

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

	2022-23 £'000	2021-22 £'000

Charged to staff costs:

Current service costs	x	x
Past service costs	x	x
Total charged to staff costs	**xx**	**xx**

Credit/charge for net return on pension scheme:

Interest income	x	x
Interest cost	x	x
Net interest charged	**xx**	**xx**

Credit/charge to other comprehensive income:

Return on assets	x	x
Other experience	x	x
Gains and losses arising on changes in financial assumptions	x	x
Actuarial Gain/(Loss)	**xx**	**xx**
Total charge to the SOCI	**xxx**	**xxx**

Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	x	x
Service costs	x	x
Employer contributions	x	x
Net interest costs	x	x
Actuarial gain/(loss)	x	x
Deficit in scheme at end of year	xx	**xx**

Remuneration Report

Good Practice Note on enhancing the quality of financial reporting

Prepared for public bodies in all sectors and appointed auditors

29 May 2023

Contents

Introduction

Purpose

1. Audit Scotland promotes high-quality financial reporting in Scottish public bodies. Audit Scotland's Professional Support carries out reviews of the annual accounts of public bodies to identify and share examples of good practice reporting and highlight areas where enhancements can be made.

2. This Good Practice Note shares the findings from a review of the Remuneration Reports within the 2021/22 annual accounts of a sample of 32 Scottish public bodies across all sectors. It is intended to act as a catalyst for public bodies to assess and enhance their own disclosures going forward.

Context

3. The Remuneration Report was chosen for a good practice review because of the high-profile nature of the information, along with indications that the quality of the disclosures was variable.

4. The good practice review was carried out by a team in Professional Support with knowledge of the relevant financial reporting framework. However, the

team does not have a detailed understanding of each body's particular circumstances or the specific underlying transactions.

Disclosure requirements

5. The disclosure requirements for public bodies in Scotland are set out as follows:

- Local authorities are required to produce a Remuneration Report as part of their annual accounts in accordance with the Local Authority Accounts (Scotland) Regulations 2014 (accounts regulations)

- Section 6.5 of the Government Financial Reporting Manual (FReM) sets out the requirement for a Remuneration and Staff Report* for central government bodies, health boards and colleges.

*This Good Practice Note uses the term "Remuneration Report" for ease of reference. All such references should be read as including the Remuneration and Staff Report except where stated otherwise.

Contact points

6. The contact points in Professional Support for this Good Practice Note are:

- Neil Cameron, Head of Professional Support and Learning – ncameron@audit-scotland.gov.uk
- Anne Cairns, Manager – acairns@audit-scotland.gov.uk .

Key Messages

1 Public bodies should clearly identify the parts of the Remuneration Report that are subject to audit.

2 Bodies should consider carefully how to present the required information and support significant messages with relevant context.

3 Important information should be highlighted and not obscured by immaterial detail that causes clutter. To avoid clutter:

- tables (or columns or rows) which do not contain entries should be removed
- signposting can be used effectively to provide complementary information.

4 The language used in the Remuneration Report should be clear and precise.

1: Identifying audited information

Public bodies should clearly identify the parts of the Remuneration Report that are subject to audit

7. Some parts of the Remuneration Report are audited and are covered by a specific opinion from the external auditor. Other parts are read and considered by auditors but not formally audited (i.e. additional audit evidence is not obtained for those parts). It is important that the audited parts are correctly and clearly identified.

8. For local government bodies:

- the items set out at paragraphs 4 to 12 of the Schedule to the accounts regulations are audited

- the narrative information on remuneration arrangements required by paragraphs 2 and 3 are not audited.

9. In addition, The Trade Union (Facility Time Publication Requirements) Regulations 2017 require employers to publish information in relation to trade union facility time. Guidance from the Cabinet Office indicates that disclosure should be in the Remuneration Report. This information is not subject to audit.

10. The Code of Practice for Local Authority Accounting in the UK (accounting code) requires local authorities to disclose members' salaries, allowances and expenses. Some authorities choose to make the disclosure in the Remuneration Report while others include it as a note to the financial statements. Regardless of where it is disclosed, the information requires to be audited.

11. Finance Circular 8/2011 (paragraph 5) requires local authorities to clearly identify those parts of the Remuneration Report that are subject to audit, and provides illustrative wording. It should be noted that the wording:

- used in the unaudited financial statements should state that the information 'will be audited' but the tense should be updated to 'has been audited' in the audited financial statements

- needs to reflect that any disclosure of members' salaries, allowances and expenses requires to be audited.

12. For bodies covered by the FReM:

- information subject to audit is set out at paragraphs 6.5.8 to 6.5.30, and 6.5.31 b) and l). The FReM requires bodies to clearly identify the information as audited.

- The items required by FReM paragraph 6.5.7 and the other elements of paragraph 6.5.31 are not audited.

13. Exhibit 1 briefly summarises the disclosure requirements in each sector and indicates whether the disclosure is subject to audit.

Exhibit 1

Audited

Disclosure	LG	CG	NHS
Remuneration in specified categories	√	√	√

Pension benefits	√	√	√
Analysis by pay bands	√	√	√
Exit packages	√	√	√
Payment for loss of office	√	√	√
Members' salaries, allowances and expenses	√	X	X
Fair pay disclosures	X	√	√

Unaudited

Disclosure	LG	CG	NHS
Remuneration policy	√	√	√
Trade Union facility time	√	√	√
Analysis of staff by gender	X	√	√
Sickness absence data	X	√	√
Policies on diversity issues and disabled persons	X	√	√

Source: Audit Scotland

14. In June 2022, Professional Support examined the 2020/21 Remuneration Reports of councils to evaluate whether they correctly and clearly identified the parts of the Remuneration Report that are audited. The review found that 16 councils identified which disclosures had been audited. Technical Bulletin 2022/2 (paragraph 9) drew attention to this issue. As the FReM contains a similar requirement, the guidance in the bulletin was aimed at all public bodies. 1: Identifying audited information

15. Our review of the 2021/22 Remuneration Reports found that most of the central government bodies and councils in the sample clearly identified the parts of the Remuneration Report that were subject to audit. However, that was the case for only 10% of the health boards in the sample. Professional Support has worked with the NHS Technical Accounting Group to amend the 2022/23 accounting manual for health boards to include suggested wording to address this issue.

16. The bodies that identified the audited parts did so in a variety of ways. Good practice disclosures provided an explanation at the beginning of the Remuneration Report, as shown in Exhibit 2, along with an indication in the title of the table or disclosure that the information is audited.

Exhibit 2:

b) REMUNERATION AND STAFF REPORT

The tables on pages 70 - 72 in the Remuneration and Staff Report and the tables notes 2, 4 and 10 on pages 77, 78 and 80 have been subject to audit by the Board's External Auditor. The other sections in the Remuneration and Staff Report are reviewed by the External Auditor to ensure they are consistent with the financial statements.

17. However, our review identified areas for improvement in some of the descriptions of the audited parts. These included the following:

- 18 bodies (56% of the sample) failed to identify all the disclosures subject to audit, for example the information on exit packages.
- Some unaudited parts were described as audited. For example, two councils stated that all tables in the Remuneration Report were subject to audit but the tables included the facility time disclosure which is not audited.
- Six councils stated that the information "will be" subject to audit. It appears that this narrative in the unaudited accounts had not been updated in the published audited accounts.

2: Presenting information

Bodies should consider carefully how to present information and support important messages with relevant context

Context

18. When considering how best to present information, it is important to provide adequate context to help users gain a full understanding.

19. It is good practice to provide an explanation of the measurement basis used, particularly where there is more than one option for the same item of information. For example, it is helpful to state whether staff numbers are on a full-time equivalent basis or headcount basis.

Footnotes

20. It is good practice to provide appropriate explanation of details included in renumeration tables, such as new appointments made during the year.

21. Footnotes can be used to provide points of detail. However, some bodies used a significant number of footnotes which may have made it more difficult for users to identify what each related to. Some disclosures would have been enhanced if items disclosed as footnotes had been presented in the body of the narrative. Exhibit 3 provides an example of full year salary and starting and leaving dates being disclosed in the remuneration table.

Exhibit 3

s	2021/22		
Post held	Annual Salary £	Election Allowances £	Total Remuneration £
Chief Executive until 15 December 2021 *(full year equivalent £151,238)*	107,317	13,613	120,930
Director of Finance and Resources until 15 December 2021; Chief Executive from 16 December 2021; *(full year equivalent : £151,328)*	131,520	5,445	136,965

Comparatives

22. The disclosure of prior year comparative amounts highlights movements between years. It is good practice to explain any significant change.

23. Presenting current and prior year figures in the same table can streamline disclosures while making comparisons easier. A simple example of how this can be presented is shown in Exhibit 4.

Exhibit 4

Salary £000		Benefits in kind £		Pension Benefits £000		Total £000	
2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22

Remuneration policy

24. Bodies are required to disclose details of their remuneration policy. Good practice disclosures:

- identified the committee responsible for setting remuneration policy
- highlighted whether the full council/board or a specific committee is responsible for setting the remuneration policy
- provided links to meeting papers and relevant pay circulars.

Compensation for loss of office

25. Disclosures on compensation for loss of office are required for those senior officers included in the Remuneration Report. They are also presented in the central government disclosure of total staff costs.

26. Where additional compensation payments are disclosed which have been paid to staff not in the remuneration table, it is good practice to clearly explain the difference between the figures.

Bonuses

27. Disclosures on the remuneration policy frequently highlighted that senior managers are subject to performance appraisal arrangements which can result in them receiving additional remuneration.

28. However, in some cases there were no amounts disclosed in the bonuses component of remuneration. It would have been helpful to users of the accounts to explain why that was the case.

Benefits in kind

29. Bodies are required to explain what types of benefits in kind are included in remuneration. However, in many cases the explanations were very limited.

30. Exhibit 5 provides an example of a helpful and brief explanation that the benefits in kind related to leased cars:

Exhibit 5

100-105	0.2	100-105	50	150-155	Benefit in kind for lease car of £0.2k which ceased on 5 August 2021

Sickness absence data

31. The review identified some good practice in relation to sickness absence data where disclosures included:

- the body's targets
- details of trends or factors influencing their performance.

Subsidiaries

32. Information on employees of council subsidiaries requires to be presented in a separate table.

33. However, the review found that four councils had incorporated the details into the bottom of the council senior office remuneration table.

Members' salaries, allowances and expenses

34. It is good practice to present members' salaries, allowances and expenses in a separate table. Exhibit 6 provides an example of a clear presentation:

Exhibit 6

Total Remuneration paid to Councillors

The Comhairle paid the following salaries, allowances and expenses to all Councillors (including those included above) during the year:

Type of Remuneration	2021/22 £	2020/21 £
Salaries	602,773	581,301
Allowances	5,599	970
Expenses	27,449	15,092
Total	635,821	597,363

Full details of Councillors' salaries and expenses for 2021/22 are included in Note 30 of the Annual Accounts and can also be viewed on the Comhairle website at https://cne-siar.gov.uk/your-council/wards-and-councillors/council-members/

35. While most councils disclosed a separate table, one council in the sample incorporated the disclosure as an extra row in the table for senior councillors' remuneration. Users may have found that difficult to follow.

Fair pay disclosures

36. The fair pay disclosure requirements in the FReM are intended to explain the relationship between the remuneration of the highest paid director and the body's employees. Narrative disclosure should be used to assist users understand the calculations, the body's scope for controlling pay policy arrangements and changes between years.

37. It is helpful to users if the disclosures (which contain the highest paid director's remuneration, the staff average remuneration, and the median, upper and lower percentile remunerations) follow a logical flow. Exhibit 7 provides an illustrative disclosure that could be used.

Exhibit 7

	2022	2021	change
Range of staff remuneration			
Staff average (salary & allowances)			
Highest earning director's total remuneration			
Explanation of change			
Median (total pay & benefits)			
Median (salary only)			
Ratio between highest earning director's total remuneration and the median			
Explanation of change			
25th percentile (total pay & benefits)			
25th percentile (salary only)			
Ratio between highest earning director's total remuneration and the 25th percentile			
Explanation of change			
75th percentile (total pay & benefits)			
75th percentile (salary only)			

Ratio between highest earning director's total remuneration and the 75th percentile			
Explanation of change			

38. The FReM requires disclosure of the reasons for any change in the current year's pay ratios when compared to the previous year. It is helpful if explanations cover:

- whether the movement in the ratios is attributable to a change in the highest paid director's remuneration or the employees, or a change in the body's employment models
- trends in the ratios between highest paid director and employees
- whether the body believes that the ratios reflect the pay, rewards and progression policy for employees as a whole.

39. Around half the bodies in the sample disclosed an appropriate explanation for the movement in the ratios. For example, some explained that a senior member of staff joined or left the organisation causing the pay ratios to change. In Exhibit 8, the body explained that the change was due to their priority of reducing pay inequality.

Exhibit 8

Fair Pay Disclosures

Reporting bodies are required to disclose the relationship between the banded remuneration of the highest paid director in their organisation and the lower quartile, median, and upper quartile remuneration of the organisation's workforce. Banded remuneration for this purpose is the sum of salaries & fees, taxable benefits, and excludes pension benefits and cash equivalent transfer values. The banded remuneration of the highest paid director in Skills Development Scotland for the year to 31 March 2022 was £150,000 to £155,000 (2021: £145,000 to £150,000).

	2021-22				2020-21		
	25th Percentile	Median	75th Percentile		25th Percentile	Median	75th Percentile
Pay ratio	4.2 : 1	3.7 : 1	3.3 : 1		4.3 : 1	3.7 : 1	3.4 : 1
Remuneration	£36,120	£40,735	£45,898		£33,935	£39,643	£43,555
(Salary)	(£35,960)	(£40,735)	(£44,290)		(£33,935)	(£39,643)	(£43,555)

For the year to 31 March 2022, the remuneration of the highest paid director increased by 0.6% (2021: 0.0%) while the average remuneration for the organisation as a whole increased by 3.9% (2021: 3.6%). All employees have their salary reviewed annually at 1 April. All pay awards are equality impact assessed, supported by an equal pay audit every two years, and aligned with Scottish Government public sector pay policy. The increase of 2.8% (2021: 3.0%) in the median pay ratio reflects a continuation of our programme of prioritising investment to areas of pay inequality.

The minimum full-time equivalent salary on the organisation's Pay and Grading Framework for the year to 31 March 2022 was £20,275 (2021: £19,175).

40. It may be necessary to explain that another employee is paid more than the highest paid director. Additional disclosure of non-director level employees with remuneration in excess of the highest paid director is good practice and should be provided as part of the narrative accompanying the range of remuneration.

41. Two health boards disclosed that another employee was the highest paid. An example is shown in Exhibit 9.

Exhibit 9

In 2021/2022, 3 (2020/2021, 1) employees received remuneration in excess of the highest paid director. Remuneration ranged from £8,930 to £346,423 (2020/2021 £8,842 to £247,913).

42. The range of staff remuneration together with prior year comparatives requires to be disclosed, with the amounts rounded to the nearest pound. Exhibit 10 sets out an example.

Exhibit 10

	2022	2021	%Change
Range of Staff Remuneration	8,930-346,423	8,842-247,913	1.0% - 39.7%

43. Only two bodies, both health boards, disclosed the range of remuneration for 2021/22 and 2020/21 rounded to the nearest pound. The other bodies in our sample disclosed the range of remuneration to the nearest thousand or five thousand pounds. This should be addressed in 2022/23.

3: Cutting clutter

Important information should be highlighted and not obscured by immaterial detail that causes clutter. To avoid clutter:

- tables (or columns or rows within tables) which do not contain entries should be removed
- signposting can be used effectively to provide complementary information.

44. Local circumstances may mean that a particular disclosure requirement is only partially applicable to a body, or perhaps not applicable at all. Disclosures should be appropriately tailored where that is the case. For example, it is good practice to remove any blank columns or rows from tables. An example is shown in Exhibit 11.

Exhibit 11

Taxable Salary (bands of £5,000)	Pension Benefits £'000	Total Remuneration (bands of £5,000)
180 - 185	-	180 - 185
180 - 185	6	185 - 190
10 - 15	22	35 - 40
185 - 190	39	225 - 230
155 - 160	-	155 - 160
20 - 25	17	40 - 45
145 - 150	76	220 - 225

45. It may be helpful to explain why the columns have been removed, such as in Exhibit 12.

Exhibit 12

The only benefits received by employees are: salary; employer contributions to the pension fund; and where applicable, payment for election duties. There were no bonuses, compensation for loss of office or other benefits paid to senior employees during the year. The remuneration details for senior employees are noted in Table 2:

46. It is also good practice to explain when a required disclosure has not been made owing to it not being relevant to the body's circumstances. For example, a council provided the concise explanation in Exhibit 13 as to why it had not disclosed remuneration for subsidiary employees.

Exhibit 13

Subsidiary Entities

None of our subsidiaries have remunerated employees.

47. When cutting clutter, it is important that bodies:

- take care to ensure that they do not streamline to such an extent that minimum requirements are no longer met. For example, two central government bodies included the components of remuneration but did not provide a total remuneration figure
- consider the accessibility and understandability of the Remuneration Report. For example, one body combined the remuneration and pensions disclosures and associated footnotes on one page. This involved the use of a significantly smaller font size which made it difficult for users to read.

48. Information that is not required to meet a specific disclosure requirement, but which provides additional detail, can be provided by 'signposting'. This is a means by which attention can be drawn to complementary information. When using signposting, bodies should bear the following points in mind:

- The Remuneration Report must meet disclosure requirements without users having to refer to signposted information
- Signposts should make clear that the complementary information does not form part of the Remuneration Report
- Signposted information may be located either within the annual accounts (e.g. an appendix) or separately (e.g. a link to a website document or page)
- Where a hyperlink is provided, it is helpful if it takes the user directly to the relevant information rather than a website homepage

49. Exhibit 14 provides an example of where a health board used signposting by including hyperlinks to more detailed information on performance.

Exhibit 14

NHS Grampian fully complies with the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012. More information, including the key reports listed below, can be accessed at the following link https://www.nhsgrampian.org/about-us/equality-and-diversity/

- NHS Grampian Equalities Outcomes 2021-2025, update report;
- Making equality duty an integral part of the way NHS Grampian functions - progress Report for the period April 2019 to March 2021;
- An NHS Grampian Equal Pay Monitoring Report, June 2021; and
- An NHS Grampian Equality and Diversity Workforce Monitoring Report 2020/21.

4: Clarity

The language used in the Remuneration Report should be clear and precise

Plain language

50. The Remuneration Report should be written in plain language that users can easily understand; jargon should be avoided.

51. Where the use of technical terms is necessary, they should be clearly defined and used consistently.

Tailored wording

52. Boiler-plate wording refers to generic disclosure which could apply to any body that gives no additional useful information to users of the accounts; it should be avoided. However, the review identified boiler-plate wording across all sectors.

53. While taking standard wording from another source can be of assistance as a starting point, care should be taken to suitably tailor the information appropriately to ensure it is relevant to each body's circumstances.

Precise terms

54. The terminology used should be precise and unambiguous. It is good practice to simply use the terms specified in the accounts regulations or FreM, and most bodies in the sample did so. However, some bodies used their own terms which users may have found more difficult to understand or compare.

55. Expense allowances chargeable to income tax are a component of remuneration. Around half of the bodies making that disclosure were clear that it related to taxable expenses. The other bodies used more imprecise terms, such as ‘expenses’.

56. Exhibit 15 shows a council remuneration table that is clear that only taxable expenses are included:

Exhibit 15

Council's Leader, Civic Head and Senior	Salary, Fees and Allowances	Taxable Expenses	Non-Cash Expenses / Benefits--in-kind	Total Remun. 2021/22	Total Remun. 2020/21

Remuneration Report

Good Practice Note on enhancing the quality of financial reporting

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:
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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: **info@audit-scotland.gov.uk**
www.audit-scotland.gov.uk

AS.4.0

Finance and Resources Committee

DATE	21 August 2023
TITLE OF REPORT	Draft Workplan for the Committee
REFERENCE	Agenda Item 6.6.0
AUTHOR AND CONTACT DETAILS	Keith McAllister, Head of Finance keith.mcallister@slc.ac.uk
PURPOSE:	To present the draft workplan of the Finance and Resources Committee
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • Review the draft workplan and consider its appropriateness in terms of timing • To note that the remit of the Committee will be reviewed at a future meeting at which time any amendments to the workplan can be incorporated
RISK	• That there is a failure of Corporate Governance arrangements and / or Financial Controls where the College does not follow Scottish Government procurement guidance;
RELEVANT STRATEGIC AIM:	• The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• The remit of the Committee is under review and a revised draft workplan has been drawn up • The workplan should be considered in conjunction with item 7.3 which relate to the reporting requirements for the Board

Finance and Resources Committee Activity Monitor	Colour key:	Item presented to this meeting			
		Item planned to be presented			
	2023				
	Feb / Mar	**Special with ARC** (April 23)	May / Jun	Aug / Sept	Nov / Dec
Standing agenda items					
Quarterly Management accounts					
Cash flow management					
Quarterly Estates Report					
Quarterly Procurement Report					
Review & monitoring of major estates, capital and strategic spend.					
Spring (Feb / Mar)					
Six-month accounts and SFC Mid-year Return					
Review of bank overdraft facility					
Consideration of indicative SFC Grant in Aid allocation and the potential implications for the Budget for the following three / five financial years, the term to be decided by the Committee.					
Review of RSB Consolidated Financial Statements and Annual Audit Report					
Review of the remit of the Finance & Resources Committee and its annual workplan					
Annual review of the College Financial Regulations					
Annual review of the College's Procurement thresholds and the Scheme of Delegation.					
Summer (May / Jun)					
Review of final SFC grant in aid allocation and Regional Outcome Agreement					
Consideration of, and recommendation to the Board to approve, the first draft of Budget and the 3-year / 5-year financial forecast					
Review of budget allocations to College Faculties and Departments.					
Review and approval of Principal Accounting Policies to be used in the preparation of the annual Financial Statements					
Review of Procurement thresholds					
Review of Procurement Policies					
Autumn (August / September)					
Final draft of the Budget					
Annual review of Estates Strategy and progress					
Annual review of Financial Strategy and Financial Sustainability and progress					
Annual review of Procurement Strategy and progress					
Annual review of Board finance-related reporting requirements					
Review of Annual Climate Change Report					
Consideration of the annual Accounts Direction guidance issued by SFC					
Winter (Nov / Dec) - Joint with ARC					
Audit and Risk Committee to consider and recommend approval of the external auditor's draft Annual Audit Report to the Board of Management		2021/22 Accts			
Audit and Risk Committee to recommend to the members of the Finance and Resources Committee that they can consider the draft audited Financial Statements.					
Finance and Resources Committee to consider the audited Financial Statements and recommend their approval to the Board of Management					
Consideration of the draft Annual Report of the Finance and Resources Committee to the Board of Management and to recommend its acceptance to the Board.					
Consideration of the Annual Procurement Report					

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Finance and Resources Committee

DATE	21 August 2023
TITLE OF REPORT	Consolidated Annual Report and Financial Statements
REFERENCE	Agenda Item 7.1.0
AUTHOR AND CONTACT DETAILS	Keith McAllister, Head of Finance keith.mcallister@slc.ac.uk
PURPOSE:	To present the consolidated Lanarkshire Region Annual Report and Financial Statements
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • Note the Regional financial position as at 31 July 2022 • Note the student & staff statistics for the 2021/22 academic year
RISK	• That there is a failure of Corporate Governance arrangements. • That there is a reputational risk to the College
RELEVANT STRATEGIC AIM:	• The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• The Financial Statements show surplus / deficit figures in several formats. The Statement of Comprehensive Income and Expenditure shows a deficit for the Region of £7,744k, whilst the underlying operating deficit is £355k. This latter figure is used by SFC as its major financial indicator. • The Region held £10,995k as cash and cash equivalents at 31 July 2022.

NEW COLLEGE LANARKSHIRE

Bringing Education Closer

Regional Financial Statements

Year Ended: **31st July 2022**

The Lanarkshire Board

South Lanarkshire College East Kilbride

Contents

Regional Financial Statements for the Year Ended 31st July 2022

PERFORMANCE REPORT

Overview and Introduction

Following the requirements of Financial Reporting Standard 102 (FRS102) and the powers enshrined in the Lanarkshire Colleges Order 2014, Regional Financial Statements are required to be prepared by New College Lanarkshire, being the Regional Strategic Body (RSB) for Lanarkshire. Under the Order and determination of accounting standards, the RSB deemed it had the power to control the assigned College (South Lanarkshire College) during the year to 31st July 2022 triggering the requirement for consolidated Regional Financial Statements under FRS102. The Financial Statements also require the consolidation of Amcol Scotland Limited, a provider of Nursery Education and being a 100% subsidiary of New College Lanarkshire. In these Financial Statements the “College” heading refers to New College Lanarkshire and the “Region” heading refers to consolidated figures for New College Lanarkshire, South Lanarkshire College and Amcol Scotland Limited.

The Board of Management thereby presents its audited Regional Financial Statements for the year ended 31st July 2022. The Financial Statements consist of the Annual Report and Accounts. The Annual Report consists of a Performance Report, an Accountability Report and where relevant, a Parliamentary Accountability Report. The Statements have been prepared in accordance with the Government Financial Reporting Manual (FReM), the Scottish Public Finance Manual (SPFM) and the Statement of Recommended Practice for Further and Higher Education (SORP). The SORP was updated in 2017 and is effective for accounting periods beginning on or after 1st January 2019. The 2019 SORP reflects any further changes to UK Generally Accepted Accounting Practices (GAAP) following the issuing of FRS 100, 101 and 102.

The Overview section sets the context, background and environment in which the RSB operates. This aids alignment between the Accountability and Performance sections of the Financial Statements.

Legal Status

In 1992, Parliament enacted the Further and Higher Education (Scotland) Act, which resulted in 43 Colleges of Further Education being taken out of Local Authority control and becoming self-governing Further Education Colleges. The control of the Colleges passed to the Boards of Management with the Principals as Chief Executives.

On 1st June 1999, the Scottish Parliament established the Scottish Further Education Funding Council (SFEFC), who assumed direct control over the funding and strategic direction of the Further Education College sector. Under the Further and Higher Education (Scotland) Act 2005 the SFEFC was dissolved, becoming the Scottish Further and Higher Education Funding Council by merging with the equivalent Higher Education Funding Body. The Scottish Funding Council (SFC) is the abbreviated body.

On 7th August 2013, the Post-16 Education (Scotland) Act 2013 provided the legislative structure to support the regionalisation of the College sector, including the creation of regional strategic bodies and boards in the three multi-College regions. On 1st October 2014, New College Lanarkshire was designated the RSB for Lanarkshire and South Lanarkshire College was assigned to New College Lanarkshire. From that date, the New College Lanarkshire Board (the Lanarkshire Board) assumed all of the responsibilities of the RSB for the region. In a letter dated 7th July 2016, the SFC confirmed that New College Lanarkshire, as the RSB, would be the single fundable body for Lanarkshire from 1st August 2016 and consequently receive all the SFC funding directly for the region. The College Board of Management, the Lanarkshire Board, would in turn be responsible for the distribution of SFC funding to South Lanarkshire College as the assigned College.

Legal Status (continued)

In October 2010, the UK Office for National Statistics (ONS) reclassified incorporated Further Education Colleges throughout the UK so that they would be treated as part of central government for financial budgeting and reporting purposes. ONS reclassification of incorporated Scottish Colleges as central government entities became effective from 1st April 2014.

The Region consists of three registered charities, New College Lanarkshire (SC021206), South Lanarkshire College (SC021181), and Amcol Scotland Limited (SCO39758). All are recognised by the Office of the Scottish Charity Regulator (OSCR) and bound by the Charities and Trustee Investment (Scotland) Act 2005. Amendments to the 2005 Act are made by Part 9 of the Public Services Reform (Scotland) Act 2010. A copy of the audited financial statements for South Lanarkshire College may be found on their website, and for Amcol Scotland Limited, audited financial statements are available from Companies House.

Performance Analysis

Our Strategies and Purpose

The vision of the Lanarkshire Colleges is to be Scotland's leading providers of College education and training, recognised for our achievements in empowering people and enriching lives through learning.

Our purpose is to ensure students across our regions are well prepared for the future by providing innovative, high quality, relevant learning for careers, life and success; and to support the people, business, economy and sustainable development of Scotland.

Our Strategic Priorities

1. Inspirational Learner Journey: Empower people and enrich lives through learning.
2. Develop & Nurture: Innovate and grow together to realise ambition.
3. Effective & Efficient: Intensify the drive for excellence, equity and socio-economic impact.
4. Strong & Sustainable: Provide financial security, value for money and a sustainable built environment.
5. Successful Students: Outcome focussed, people centred organisation.
6. Highest Quality Education and Support: Curriculum is well designed, employment focussed and influenced by local and national policy.
7. Sustainable Behaviours: Environmentally sustainable behaviours, excellent governance, robust leadership and management and being financially secure.

Central to this are our Colleges' commitment to Science, Technology, Engineering and Mathematics (STEM) development strategies that direct a partnership approach with industry and business that will strive to ensure the supply of a skilled, knowledgeable and work ready workforce. We continue to invest in vocational areas where there is identified demand.

In the Lanarkshire region a number of initiatives have been developed to promote effective employer engagement. The development of an Apprenticeship Strategy and related Foundation Apprenticeship (FA), Modern Apprenticeship (MA) and Graduate Apprenticeship (GA) frameworks ensures that the Colleges, using their expertise and knowledge of local industry are in a position to assist employers with a cost-effective approach when delivering Apprenticeship training.

Performance Analysis (continued)

Skills provision that meets the occupational requirement for our region is continually evaluated and reviewed as part of our Regional Outcome Agreement (ROA) process. This culmination of a continuous curriculum and service review encompasses regional and national monitoring, evaluation and planning.

Our Strategic Priorities (continued)

We aim to address the provision of skills within our strategy but in particular through our Senior Phase Vocational Pathways (SPVP) and STEM development strategies and through specialist vocational provision, the overwhelming majority of which is delivered in consultation and partnership with employers, local authorities, and universities. Hosting STEM-focussed school events has been a highly successful approach in raising awareness of STEM development approaches.

Skills development for employability and customer-focussed skills continues to grow within our vocational specific programmes and as part of our "employability" and "workforce development" programmes that intend to meet strong demand from customer service sectors. The highest employment opportunities for the future are within Construction and Health and Social Care. Demographic changes, potential reduction in the current care workforce, an increasing demand for skilled non-registered health care workers, alongside a continuing need for health professionals, and a national need for the expansion of Childcare ensures our focus on continuing innovation and the high proportion of delivery in Health, Care and Early Learning and Childcare.

One approach taken to ensure access for people from a range of backgrounds is to deliver training via the Flexible Workforce Development Fund, which facilitates the Colleges supporting employers to access flexible training, based upon their needs as well as signposting employers to where they can access additional support or training.

Tackling gender imbalance within certain College/Modern Apprenticeship subjects will become an even more intense regional focus. Many of these imbalances have persisted over time but much is being done and more will be done to break perceived stereotypes by working proactively in partnership with schools, pupils, parents, industry and our local communities.

Underpinning all of this ambition are measures to ensure the best opportunities for all our students by committing to significantly reduce withdrawals from our programmes and to increase the numbers of students achieving recognised qualifications across all underperforming areas.

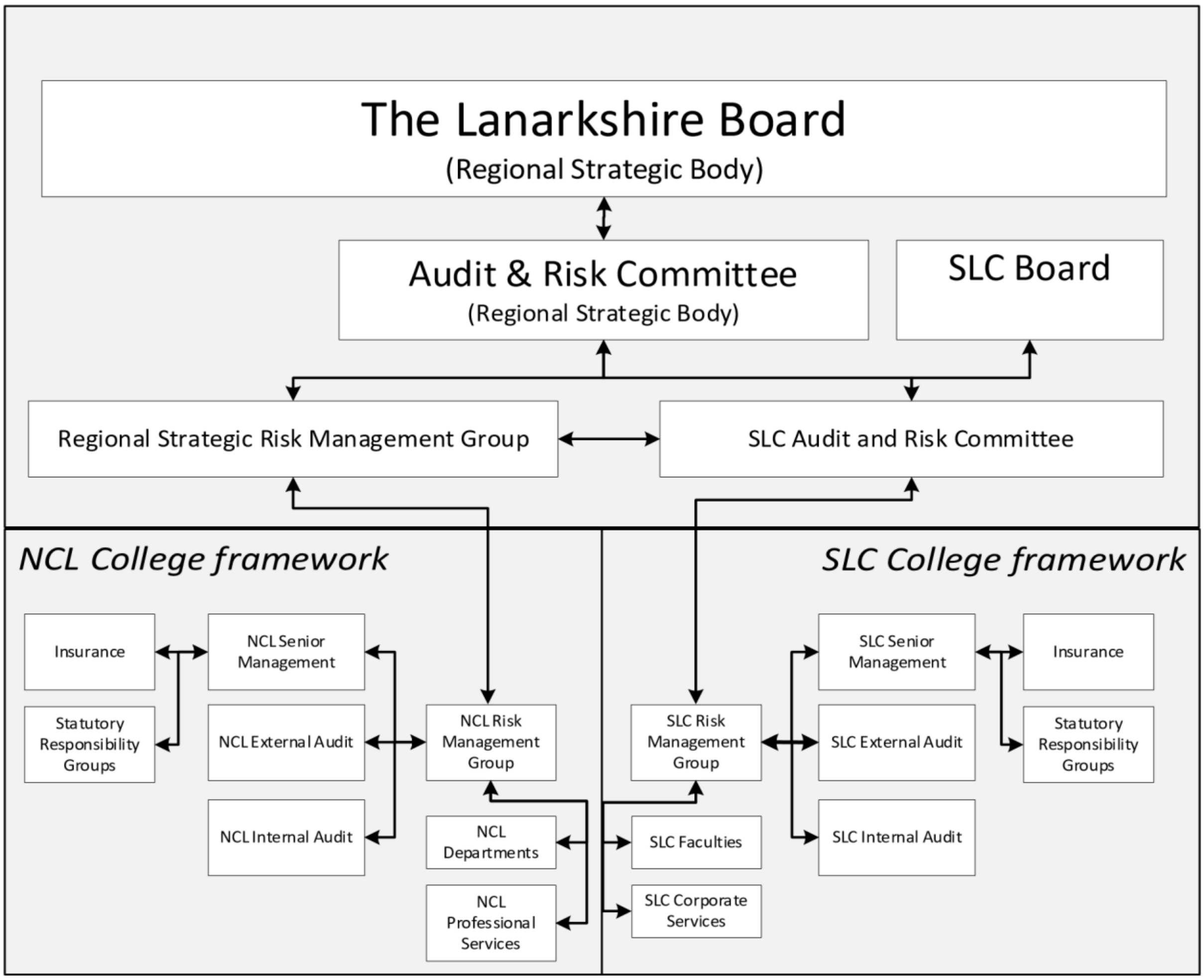
We are passionate about what we do and we will continue our drive to foster ambition, creativity and innovation in pursuing excellence, equity and impact.

Principal Risks Affecting the Region

Performance Analysis (continued)

The Lanarkshire regional risk management strategy is to adopt best practices in identification, evaluation and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level within the available funding. It is accepted that some risks will always exist and will never be eliminated.

Regional Risk Management Organisational and Reporting Structure:



We continue to embed a strategic risk management process which is relevant, effective and efficient, and reflects organisational need and cultivates an organisational culture that treats risk management as a real time and dynamic process.

Risk is managed at three main levels - Regional strategic risk; College institutional risk; and operational/project risk. Escalation of risks between these levels is facilitated through the Lanarkshire Regional Strategic Risk Management Framework as shown. Communication of requirements, development and change is actioned by the Regional Strategic Risk Management Group (RSRMG) under the direction of the Regional Strategic Body (The Lanarkshire Board). Roles, responsibilities, communication and reporting with respect to the RSB, Senior Management Teams, the RSRMG and staff are clearly set out within the Lanarkshire Regional Strategic Risk Management Framework. The RSRMG reports to the RSB through its Audit & Risk Committee.

Performance Analysis (continued)

Regional Risk Management Organisational and Reporting Structure: (continued)

Residual Risks Graded High or Very High at Year-End:

Finance:

- Unable to maintain operating budget while delivering high quality, relevant and responsive education;
- Inability to secure appropriate levels of funding to respond to operational and strategic priorities.

Productivity:

- Failure to deliver SFC Credit target.

Student Experience:

- Failure to maintain and improve learner retention and achievement.

Compliance

- Failure to hold and manage personal data appropriately in compliance with the requirements of the General Data Protection Regulations (GDPR).

*** In addition to the above, the Audit & Risk Committee has designated the increasing costs of gas and electricity as well as global supply chain issues (including Brexit) as risks under observation/analysis.

Chief Officer's Statement on Performance

The Academic Year 2021/22 continued to test the resilience and fortitude of many organisations and I am both proud and grateful to report that the communities of both Colleges in Lanarkshire rose to the challenges of the COVID-19 pandemic with imagination, compassion and determination. It is important to recognise that Lanarkshire was particularly affected by exceptional levels of infection transmission and hospitalisation in late 2021, and the severity of that challenge was most clearly demonstrated by the Scottish Government's announcement on 19th October 2021 that NHS Lanarkshire could receive military assistance through-out the winter period due to the impact of COVID-19 upon the region.

Performance Analysis (continued)

Yet, despite complex and turbulent operating conditions, South Lanarkshire College (SLC) and New College Lanarkshire (NCL) remained fully focused upon the delivery of high quality, relevant and flexible educational programmes that meet the needs and expectations of our students, employers and community stakeholders.

Adhering to the requirements and guidance provided by the Scottish Government's experts in Public Health, both Colleges clearly and fully prioritised the health and safety of students and staff. With the advent of the Omicron variant, the Institutions had to react quickly and effectively to re-introduced social engagement restrictions and lockdown conditions. Institutional flexibility was predicated on high levels of co-operation and collaboration by College staff and it is appropriate to highlight and pay tribute to the kindness of our staff as demonstrated by their commitment to the education and welfare of students and each other. I note too, that Trade Union colleagues played a critical and constructive role in the formulation of safe, fair and effective delivery planning and I thank them for their positive contribution.

The turbulence brought about by COVID-19, especially in the first half of the year, continued to have a significant and detrimental impact upon College operations, particularly with respect to student recruitment, the delivery of fee-earning programmes for industry partners and other revenue streams, such as catering, student residencies and fees derived from the provision of college services. Against the backdrop of such challenges, the flexibilities provided by the SFC was important, necessary and also very much appreciated. I am particularly pleased to note that despite the significant challenges, New College Lanarkshire met its core funding targets and I am grateful to all colleagues who contributed to the securing of such an important result.

Looking towards future funding settlements in the Spring of 2022, the Scottish Funding Council made it clear that the budget allocation for the College sector was likely to be very difficult. The first indicator of the challenge became apparent in May 2022 when the SFC advised the College sector of a "flat-cash" settlement for the financial year 2022/23. In anticipation of an adverse financial position, New College Lanarkshire launched a Voluntary Severance Scheme in June 2022. The cost for the Voluntary Severance Scheme was met directly by the College and the significant burden of this undertaking is reflected in the College's negative end of year position. However, through the implementation of the scheme, a significant reduction in staff costs is forecast in future financial years.

Significant progress was made in Session 2021/22 in support of NCL's Strategy 2025. As a tangible demonstration of our commitment to sustainability and climate justice, we aligned with the COP26 Conference in Glasgow to open a very successful pop-up venue on Sauchiehall Street in the City with a view to showcasing a range of sustainability projects across the NCL curriculum. In November 2021, Minister Hepburn formally launched our new brand identity and livery. Furthermore, the Minister also officially opened our Smart Hub Lanarkshire Centre at our Motherwell Campus which has, as its focus, the advancement of SME competitiveness through the integration and development of robotic technologies within organisations.

Chief Officer's Statement on Performance (continued)

At the end of 2021, the College was delighted to celebrate the outstanding successes of a large number of our students at the WorldSkills 2021 finals and we were thrilled to take, once more, first place at this prestigious competition. New College Lanarkshire was the number one Institution for a fifth time.

Performance Analysis (continued)

In recognition of the emerging cost of living, crisis and coinciding with our return to on-Campus teaching, we committed to supporting our students by rolling-out our "Breakfast on Us" initiative across all of our Campuses. Driven by our desire to keep resources close to students and to enhance the student experience, we adopted a revised academic structure in the form of new discipline-based departments. Our expectation is that the new structure will improve quality standards, support curriculum innovation and enhance student engagement, affiliation and success.

In combination with our annual apprenticeship awards, we underlined our commitment to lifelong work learning with the opening of our Centre for Professional Work-based Learning at our Hamilton Campus; the launch of a digital Career Hub on the College's mobile application and we reached agreement to progress the development of a new and innovative University Centre in partnership with the University of the West of Scotland at our Cumbernauld Campus.

I was also pleased to note the outstanding successes secured at South Lanarkshire College through-out Academic Year 2021/22. Despite the significant market challenges, SLC met its core credit target and it continued to play an outstanding role in contributing to the delivery of the Regional Outcome Agreement for Lanarkshire. Furthermore, South Lanarkshire College returned a modest adjusted operating surplus in the face of significant headwinds. Despite the very many challenges associated with COVID-19, South Lanarkshire College remained one of Scotland's top performing Colleges for delivering positive student outcomes. It had a positive HMIe progress visit and was commended for its excellent approach to Safeguarding, with particular praise given to the innovative responses the College adopted in supporting vulnerable students during the pandemic. As an outcome of the visit, South Lanarkshire was categorised as a low risk Institution for Academic Year 2022/23. I am pleased to congratulate the College on such a successful result.

These various advances, achievements, commendations and awards are a powerful recognition of the resilience, calibre and talents of our students and of the expertise and dedication of the staff at South Lanarkshire College and New College Lanarkshire. Despite the many difficulties and challenges of the past year, SLC and NCL communities have demonstrated outstanding professionalism and commitment for which I am most grateful and very proud.

Learning and Teaching Performance

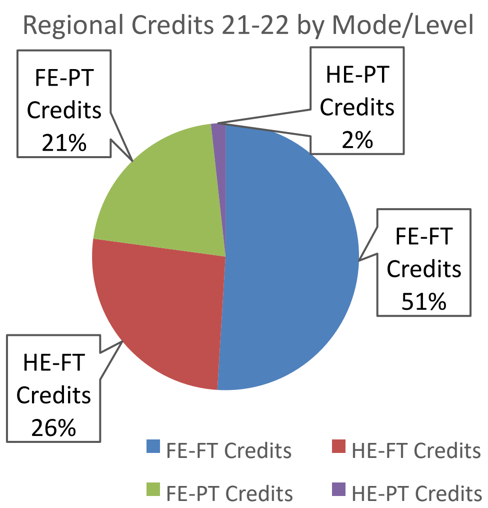
In respect of the volume of learner activity provided, the Colleges against their SFC Core funded target delivered 129,020 Credits by NCL and 46,029 Credits by SLC, totalling 175,049 SFC funding Credits (the SFC's unit of measure for learner activity). The Lanarkshire Colleges, therefore, met their Core Credits target of 175,049. The Colleges also delivered an additional 3,332 ESF Credits by NCL and 3,166 ESF Credits by SLC, totalling 6,498 ESF - SFC funding Credits against a target of 6,472; NCL meeting target and SLC surpassing target by 26. Finally, for Deferred, Foundation Apprenticeship and NTTF, NCL delivered 471 against a target of 3,787 and SLC delivered 786 against a target of 1,535, as per below.

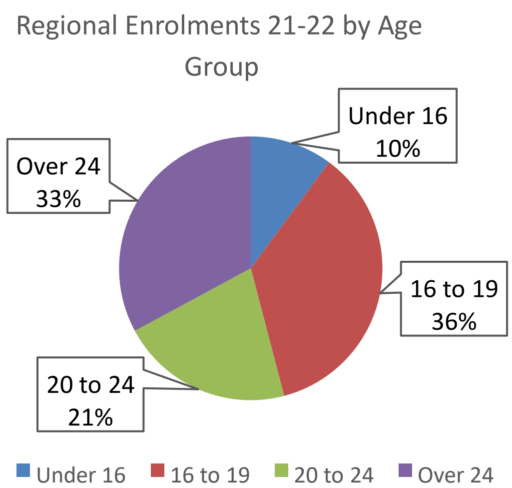
Performance Analysis (continued)

(NCL delivered Foundation Apprenticeship Credits of 471 against a target of 1,120, Deferred Nil against a target of 2,428 and NTTF Nil against a target of 239. SLC delivered Foundation Apprenticeship Credits of 325 against a target of 400, Deferred 461 against a target of 866 and NTTF Nil against a target of 269).

As permitted by the SFC under Regional adjustments, 461 Credits were moved from Deferred Credits into NTTF Credits. This allows for an NCL claim under NTTF whilst staying within the parameters of the Regional ESF claim, and the 2% tolerance limit for Regional Core plus Deferred Credits combined.

11,728 FTE Learner Places

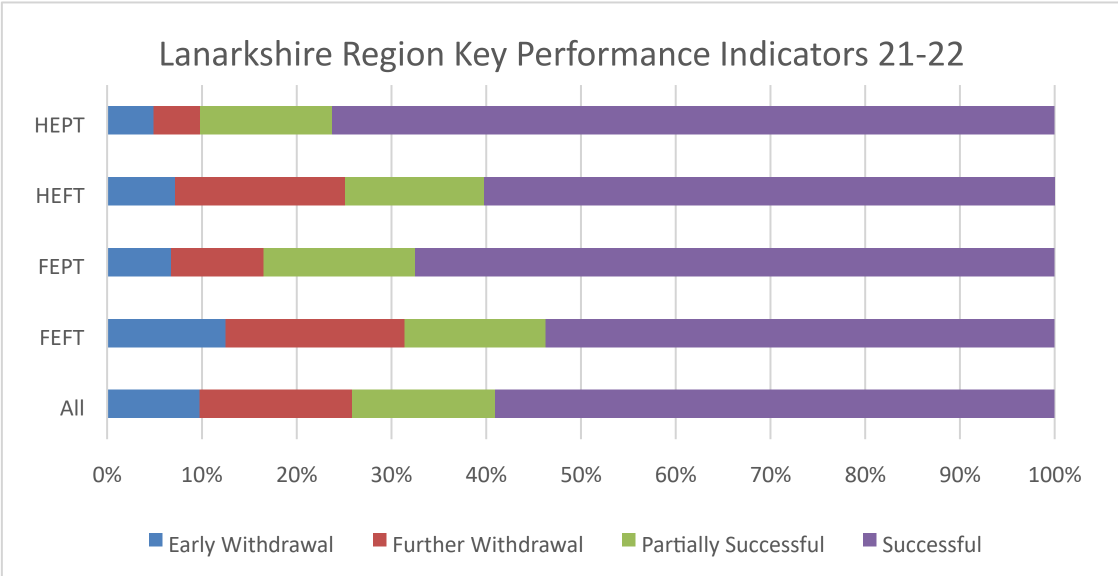




PERFORMANCE REPORT (continued)

Performance Analysis (continued)

Learning and Teaching Performance (continued)



74.1% of all learners complete their programme of study with 59.0% of all learners achieving their programme aim. FEFT, being the largest proportion of our provision, sees 68.5% of learners complete their programme of study with 53.7% of learners achieving their programme aim. Strategies to improve student retention had been successful, and we had made progress in the previous year. However, our performance has regressed slightly in Academic Year (AY) 2021/22. In NCL, we have introduced a new artificial intelligence (AI) system which supports us to identify "at risk" students and the academic departments and professional services staff are working together to ensure these students are provided with the appropriate interventions in order to keep them successfully on their courses. At SLC overall retention dropped slightly by 1.9% to 86.6%, with the College's main focus on using intervention strategies to reduce the volume of partial successes, which increased over the pandemic period.

The COVID-19 pandemic impacted negatively on success rates, particularly in vocational subject areas where continued delivery and assessment of practical skills proved extremely challenging. Frameworks and strategies continue to embed themselves, supported by a consistent vision and shared culture and determination to deliver an improvement in performance for the future.

Although it is unlikely that there is only one reason for students not remaining on their course of study, surveys undertaken by NUS Scotland[12] and the Scottish Government[13] of students suggest that student poverty could be a contributing factor. New College Lanarkshire continues to provide free hot breakfast for students, to ensure no student would be hungry and to support mental health and wellbeing. SLC also provide support for students through the free "soup and a sandwich" scheme as well as providing warm hoodies. SLC also provides digital devices to students to support digital poverty. NCL is also planning to

[12] Alarming research on student poverty @ NUS Scotland (nus-scotland.org.uk)

[13] Insights into student experiences of financial support in Summer 2021: results from an online survey (www.gov.scot)

Performance Analysis (continued)

introduce warm spaces at each of our main campuses to support students during the cost of living crisis. It is planned that in these rooms students will have access to digital devices to support digital poverty.

Learning and Teaching Performance (continued)

A great deal is known about the extensive influences of poverty on a student's learning and progression; however, this does not lead to lower expectation, but the need to take mitigating actions. Within the constituency of Motherwell and Wishaw the percentage of families with children in receipt of universal credit or working tax credits is 41%[14], however some of the scaffolding put in place included the purchase of additional laptops to ensure that digital poverty did not impact on learning.

The Colleges continue to address the needs of those disadvantaged in the labour market and serve some of the most affected areas in the country. For example, within North Lanarkshire, which is mainly served by New College Lanarkshire, 18.6% of the working age population (aged 16 to 64) have no formal qualifications. This is in contrast to South Lanarkshire where 8.0% of the working age population have no qualifications (2021 ONS Annual Population Survey). The Scottish average for adults with no formal qualifications is 7.8%. Both North and South Lanarkshire are above the Scottish average.

Only a limited number of students were able to complete a restricted placement, and this was when it was essential for course completion. Some subject areas were able to establish, maintain or even increase the range of guest speakers, "Zooming" in for class discussions and workshops.

Similarly, at SLC a few curriculum areas used Virtual Employment Placements effectively and supported with online meetings with mentors to help overcome the shortage of work placements. Within childcare programmes, a number of local nurseries provided helpful work placement experiences.

Despite the considerable challenges that have been addressed and ones that lie ahead, the ambition remains to continue to build upon the overall success that has been achieved over the recent period.

Delivery Performance

The Colleges outlined their contribution to delivering key Scottish Government priorities and strategies within the Lanarkshire Regional Outcome Agreement with the Scottish Funding Council (SFC).

The Colleges' performance with respect to delivery is primarily analysed through the following indicators:

- The volume of learner activity provided;

[14] Poverty in Scotland 2021 | JRF

Performance Analysis (continued)

- The proportion of those learners completing their programme of study; • The proportion of those learners achieving a successful outcome;
- The quality of the learning and teaching provided.

For a fuller analysis we look at these parameters in a wider context. Nationally the SFC's 19 current outcome agreement national measures; institutionally through the four priority KPIs within the SFC's outcome agreement national measures. (Full definitions are available in the SFC's guidance – Outcome Agreement Guidance AY 2021-22 FAQs.pdf and independently through Education Scotland and the SFC's independent review and endorsement.

Delivery Performance (continued)

Four priority KPIs published by the SFC:

- Outcomes for Further Education student enrolments on full-time recognised qualifications;
- Outcomes for Higher Education student enrolments on full-time recognised qualifications;
- Outcomes for Further Education student enrolments on part-time recognised qualifications;
- Outcomes for Higher Education student enrolments on part-time recognised qualifications.

"How Good Is Our College?" (HGIOC) is the quality framework published by Education Scotland in December 2016. SFC and Education Scotland formally endorsed the Colleges' evaluative reports and enhancement plans.

The Education Scotland report "Remote learning in Scotland's Colleges", published in June 2021 concluded that Colleges had responded well to the demands of moving their curriculum online and delivering learning and teaching remotely [15]. Alongside this report, "Remote learning in Scotland's Colleges: Comments and Cameos"[16] featured New College Lanarkshire exemplifying how the College had undertaken assuring the quality of remote learning and teaching using the Education Scotland and SPARQS COVID-19 recovery support materials to inform approaches and to help class and subject reps gather views from their peers. This 'Partnership Initiative in a College' was also recognised as award winning at the SPARQS Student Engagement Awards.[17]

[15] Remote learning in Scotland's Colleges (education.gov.scot)

[16] Remote learning in Scotland's Colleges (education.gov.scot)

[17] sparqs Student Engagement Awards 2021 headline

Performance Analysis (continued)

In session 2021/22, HM Inspectors planned to recommence progress visits to explore the impact of the pandemic on the College and how Colleges were addressing the impact of COVID-19 and support recovery. In preparation for the visit Colleges were required to develop a context statement and share the College internal approaches to self-evaluation and improvement planning. Although the intention was that visits would take place on campus, due to a spike in the Omicron variant, which was the most transmissible virus variant to date for all age groups, including both adults and children, the PV visit for New College Lanarkshire was undertaken remotely.

The remote progress visit took place in November 2021 with Education Scotland identifying areas for improvement. To address this, NCL has an action plan which is continually being reviewed and updated. The NCL Education Scotland contact is also supporting the College to address the actions and prepare for the next Education Scotland progress review which is scheduled for December 2022.

SLC had an on-campus progress visit in February 2021 and His Majesty's Inspectorate of Education Progress Visit Report (February 2021) demonstrated that progress was satisfactory in the College and due to its lowrisk status would only be subject to a one-day annual engagement visit in the AY 2022/23.

Delivery Performance (continued)

The report highlighted areas of good practice which include:

- College senior leaders have a clear and shared vision which is reflected in the Board's strategic plan for excellence in delivery.
- Most learners who enrol on a College programme are successful and attain a certificated award.
- Most learners completing their programme move on to a positive destination such as another College programme, higher education or employment.
- Attainment rates for all modes of learning have been above the national sector performance level for the past three years.
- The attainment rate for learners with a disability is five percentage points above the national sector performance level of 68%.

Performance Analysis (continued)

- Teaching staff are flexible and have adjusted teaching approaches to take account of the impact of COVID-19. The College has remained partially open to learners and staff throughout the pandemic to provide a safe space for learning and essential access to resources. Innovative changes to delivery approaches include evening sessions, recorded lessons and virtual work placements.

- All learners are very positive about their College experience and value the support they receive from staff to achieve their aspirations. The approach that “no learner gets left behind” is effective in building confidence with learner groups.

Key Priority National Measures – Analysis

SFC funded Credits delivered in AY 2021/22;

In respect of the volume of learner activity provided, the Colleges against their SFC Core funded target delivered 129,020 Credits by NCL and 46,029 Credits by SLC, totalling 175,049 SFC funding Credits (the SFC’s unit of measure for learner activity). The Lanarkshire Colleges, therefore, met their Core Credits target of 175,049. The Colleges also delivered an additional 3,332 ESF Credits by NCL and 3,166 ESF Credits by SLC, totalling 6,498 ESF - SFC funding Credits against a target of 6,472; NCL meeting target and SLC surpassing target by 26. Finally, for Deferred, Foundation Apprenticeship and NTTF, NCL delivered 471 against a target of 3,787 and SLC delivered 786 against a target of 1,535. As permitted by the SFC under Regional adjustments, 461 Credits were moved from Deferred Credits into NTTF Credits. This allows for an NCL claim under NTTF whilst staying within the parameters of the Regional ESF claim, and the 2% tolerance limit for Regional Core plus Deferred Credits combined.

Source: SFC’s Further Education Statistics (FES)

Volume and proportion of the SFC funded Credits delivered to learners in the 10% most deprived postcode areas (SIMD 10) in AY 2021/22;

Figures based on National Records of Scotland (NRS) 2020 mid-year estimates show the proportion of population from the 10% most deprived postcode areas (SIMD 10) to be 12.2% for North Lanarkshire and 9.4% for South Lanarkshire.

The Lanarkshire Colleges delivered 18.5% in AY 2019/20; and 18.6% in AY 2020/21 and 16.8% in AY 2021/22 of all the SFC funded learner activity to learners from the 10% most deprived postcode areas (SIMD 10) in Lanarkshire. NCL delivered 17.7% (3,637 enrolments) and SLC delivered 13.5% (765 enrolments) of activity to learners from these postcode areas.

Consistently delivering these high levels of engagement with learners who live in areas of deprivation is testament to both Colleges’ investment in supporting and delivering on the Scottish Government’s Access and Inclusion agenda.

PERFORMANCE REPORT (continued)

Performance Analysis (continued)

Source: SFC's Further Education Statistics (FES) & National Records of Scotland (NRS)

Proportion of enrolled students successfully achieving a recognised qualification in AY 2021/22;

59.1% of all Lanarkshire Regional Learners achieved a recognised qualification in AY 2021/22.

In Scotland as a whole, the proportion of Further Education Full-Time (FEFT) learners successfully achieving a recognised qualification over the last four years has ranged from 65.2% to 66.1%. The proportion of Higher Education Full-Time (HEFT) learners successfully achieving a recognised qualification over the last four years has ranged from 69.8% to 73.4%.

For AY 2021/22, the combined Lanarkshire regional proportion of FEFT success is 53.7% which is below the historic broad national parameters. For HEFT the combined success rate for Lanarkshire is 60.2%, which is also below historic national figures.

Proportion of enrolled students successfully achieving a recognised qualification in AY 2021/22 (continued)

Factors including high numbers of early withdrawals, which result in lower achievement statistics, have been significantly influenced by the continued development of ever more flexible learner pathways (more flexibility provides more choice, more options and thus more movement of students); and an open and flexible application and enrolment process that can result in movement of students between Colleges or into employment/training. COVID-19 has also meant an on-going number of deferred students being resulted in the next academic year, which has reduced the overall volume of students in-year who could have potentially achieved their qualification successfully. Therefore, the indicators relating to successfully achieving a recognised qualification must be considered in parallel with figures representing other successful outcomes such as the number and proportion of full-time College qualifiers in work, training and/or further study 3-6 months after qualifying.

Lanarkshire's Colleges are committed to making changes to ensure they optimise positive outcomes and the drive towards improving both retention and achievement are high priority strategic objectives which percolate through all operational, business and action planning for AY 2021/22 and beyond.

Source: SFC's Further Education Statistics (FES)

The number and proportion of successful learners who have achieved HNC or HND qualifications articulating to degree level courses with advanced standing;

Lanarkshire Colleges have supported an increasing number of learners who have achieved HNC or HND qualifications articulating to degree level courses with advanced standing from 326 learners in AY 2016/2017 to 409 learners in AY 2018/2019. For AY 2019/20, the volume of learners articulating to degree with advanced standing reduced to 346, which is in line with an overall reduction across the College sector. Prior to last year this has been a very positive trend and a significant contribution to this Scottish Government aspiration.

Performance Analysis (continued)

Source: SFC's National Articulation Database. Statistics for AY 2020/21 and AY 2021/22 were unavailable at the time of writing this report.

The number and proportion of full-time College qualifiers in work, training and/or further study 3-6 months after qualifying;

College Positive/Negative Split for Confirmed Destinations				
	Counts		Percentage	
	Positive v. Negative: confirmed destinations by region		Positive v. Negative: confirmed destinations	
	Positive	Negative	Positive	Negative
Lanarkshire Region	4,405	478	90.2%	9.8%
National	38,442	2,554	93.8%	6.2%

Source: SFC's College Leaver Destinations 2019/20. Statistics for AY 2020/21 are not available until November 2022.

As discussed earlier under '*Proportion of enrolled students successfully achieving a recognised qualification in AY 2021/22,* this destination data must be considered in parallel to gain appropriate understanding of performance against Scottish Government outcomes and ambition.

In AY 2021/22, 89.1% of learners who leave Lanarkshire's Colleges with their chosen qualification move on to further study or employment, 4.3% below the national average. This confirms that the teaching and learning in our Colleges contributes significantly to the success of individuals and the economy. At the time of writing this report, no figures were available for AY 2021/22 on this statistic.

SFC's Four Priority College Key Performance Indicators - Analysis

The proportion of our learner activity from most to least follows Further Education Full-Time (FEFT); Higher Education Full-Time (HEFT); Further Education Part-Time (FEPT); and Higher Education Part-Time (HEPT).

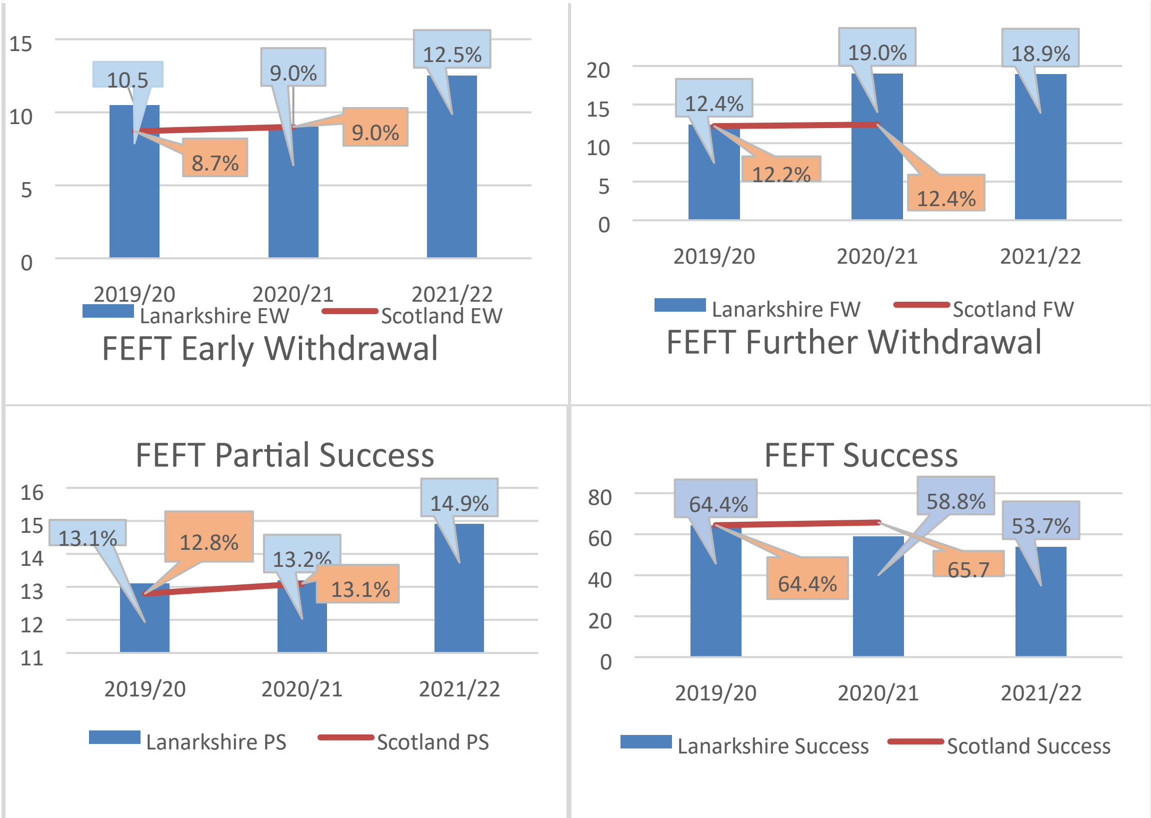
Outcomes for Further Education student enrolments on full-time recognised qualifications

FEFT performance has declined for 2021/22. Success rates dropped a further by 5.1% to 53.7% due to the increase in the overall withdrawal rate to 31.4%. Early withdrawal rates rose to 12.5% (from the low level of 9.0% in AY 2020/21). The partial success rate rose to 14.9% due to some students being unable to complete their courses fully due to the earlier disruption in the year due to the COVID-19 pandemic. The Lanarkshire Colleges have set out strategies and frameworks to prioritise improving FEFT performance as mentioned previously in this report. Figures for the Scotland average in 2021/22 were not available at the time of writing this report.

PERFORMANCE REPORT (continued)

Performance Analysis (continued)

FE Full-Time Performance

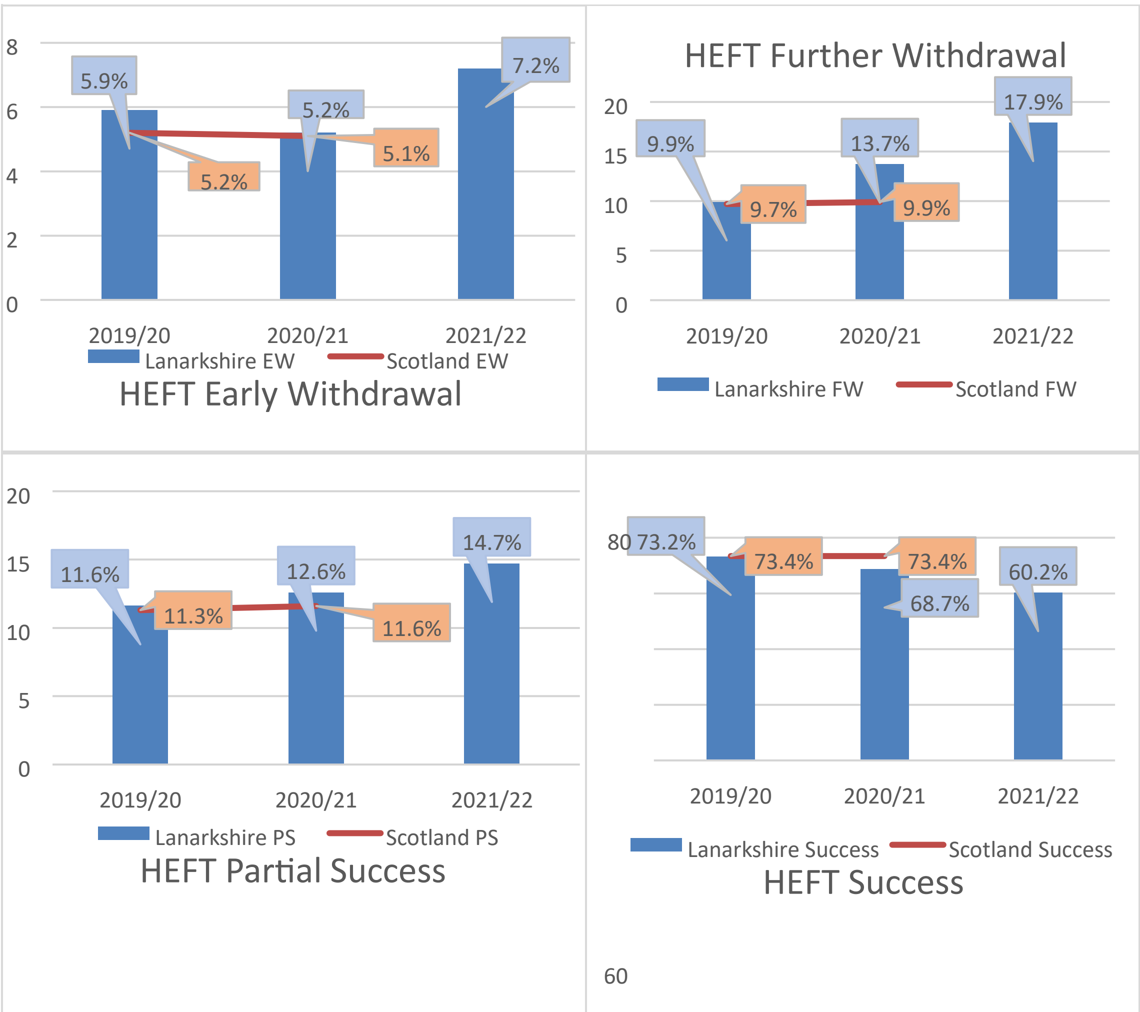


Performance Analysis (continued)

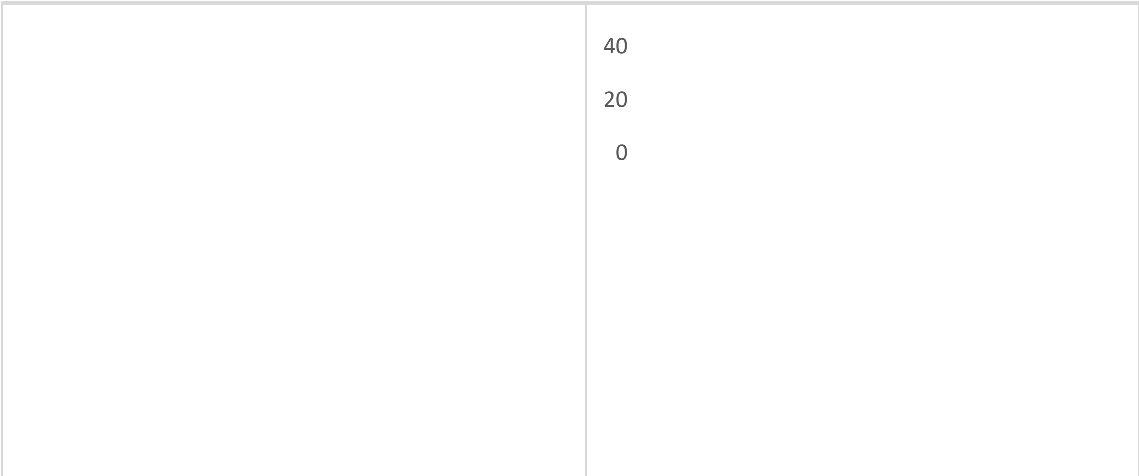
Outcomes for Higher Education student enrolments on full-time recognised qualifications

HEFT shows a decrease in performance for 2021/22 dropping to 60.2%, down by 8.5% on the previous year. Both early and further withdrawal rates increased to 7.2% (up 2.1%) and 17.9% (up 4.2%). Frameworks and strategies are in place to target learner withdrawal and achievement, which are clearly delivering a positive change for success rates. Figures for the Scotland average for 2021/22 were not available at the time of writing this report.

HE Full-Time Performance



Performance Analysis (continued)

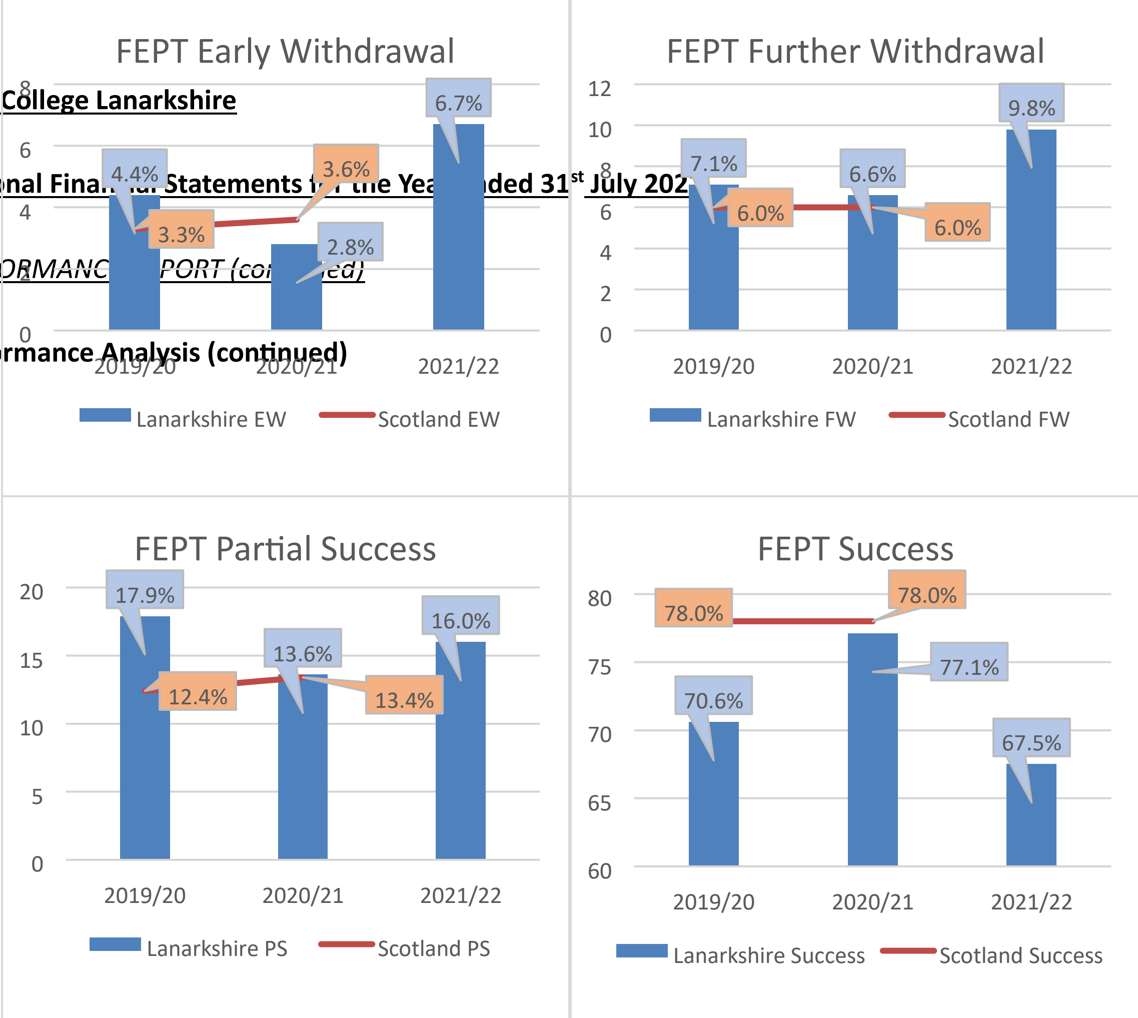


Outcomes for Further Education student enrolments on part-time recognised qualifications

FEPT performance improved for 2020/21 but regressed in 2021/22 due to higher rates of withdrawal and partial success. Success rates increased 77.1% in 2020/21 but reduced by 9.6% to 67.5% in 2021/22. Early withdrawals, further withdrawals and partial success all increased in 2021/22. The Lanarkshire Colleges have set out strategies and frameworks to prioritise improving FEPT performance. Figures for the Scotland average in 2021/22 were not available at the time of writing this report.

FE Part-Time Performance

Performance Analysis (continued)

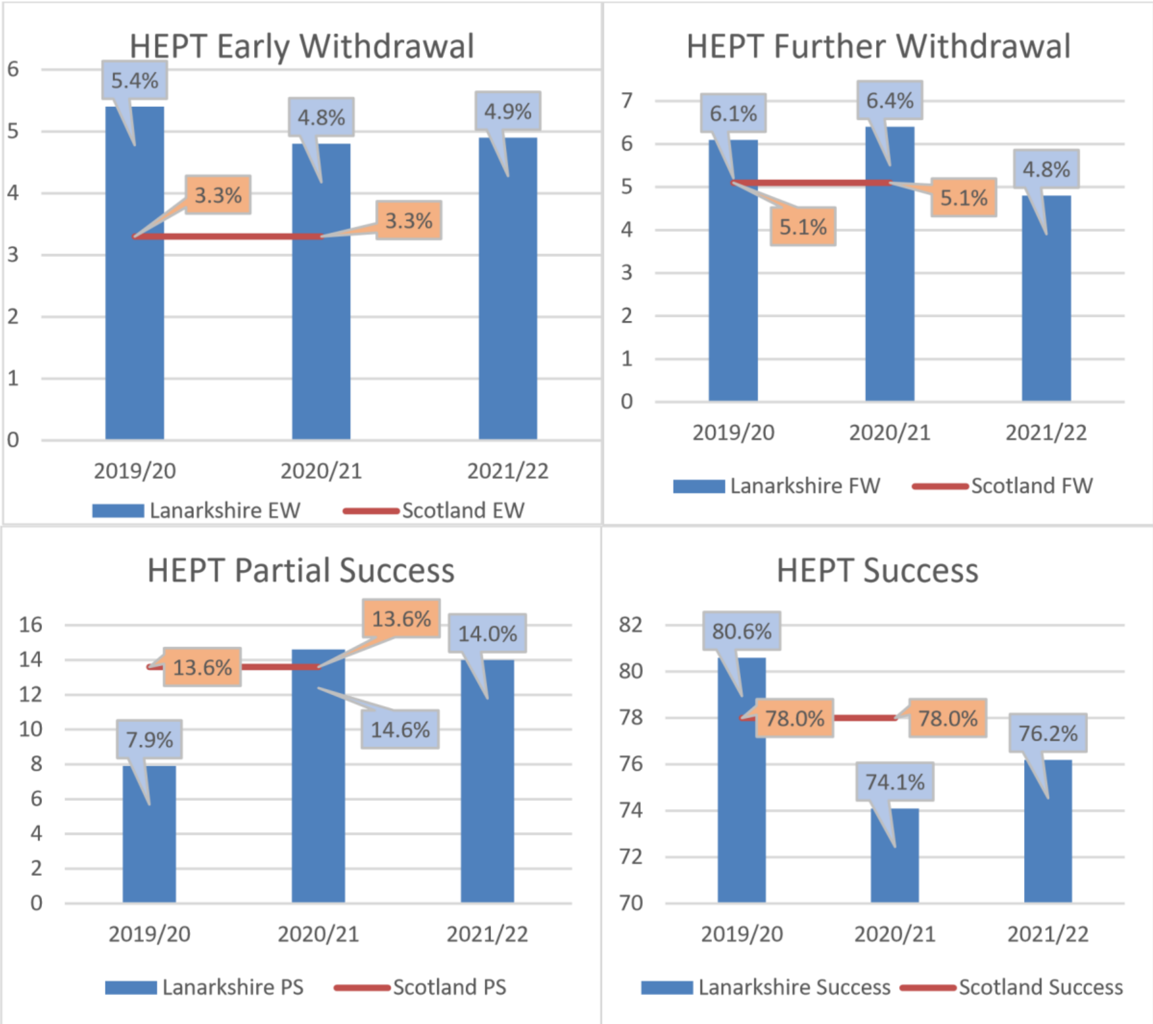


Outcomes for Higher Education student enrolments on part-time recognised qualifications

HEPT performance shows a positive trend in 2021/22. Although early withdrawal rates increased by 0.1% to 4.9%, further withdrawals decreased by 1.6% to 4.8%. Partial success decreased by 0.6% resulting in success rates increasing by 2.1% to 76.2%. Figures for the Scotland average for 2021/22 were not available at the time of writing this report.

HE Part-time Performance

Performance Analysis (continued)



Human Resources Performance

At New College Lanarkshire (NCL), the main focus of this year has been supporting the restructure activity which underpinned Strategy 2025. The initial phase was to create a new Senior Leadership Team, consisting of an Executive Board and Deans group. Subsequently, working in close partnership with Trade Union representatives, full consultation took place on the development of an Academic Department structure and appointments to Departmental Heads and Academic Leader positions. A Voluntary Severance Scheme was also made available to all NCL employees which was positively received. The subsequent successful uptake has also contributed towards shaping the College structure for the future.

The Staff Development Academy (SDA) at NCL was established in August 2021 with a remit to support professional learning and ongoing development of all NCL staff. Across 2021/22 scoping and defining a sustainable infrastructure for the SDA was a priority.

In terms of outcome, across 2021/22 the most visible achievements include the delivery of a development programme to the new team of Academic Heads of Department, the reinvigoration of professional development discussions and the appointment of an SDA staff team. In addition, the SDA initiated development of the bespoke and robust 'essential' learning resources that will support all staff and piloted a work-based learning training programme for Academic Leaders.

South Lanarkshire College (SLC) 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 SLC 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. SLC 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.

SLC 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, SLC annually programmes days dedicated to staff development, as well as organising ongoing staff training as appropriate and hosting an annual All Staff Conference.

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

Financial Performance (continued)

Human Resources Performance (continued)

In addition, at SLC 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. SLC 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. SLC has recently re-launched an automated Career Review process and provided manager training on performance feedback and coaching.

An expanded review of Human Resources Performance sits within the Accountability Report under the Remuneration and Staff Report.

Financial Performance

As guided by ONS reclassification, the Regional Strategic Body will look to break even, maintain permitted cash and working capital balances whilst aligning resources to ensure that the Colleges fulfil their Vision and Values. Surpluses will be transferred, after meeting any loan obligations, to the respective Arm's Length Foundations as appropriate. Financial Sustainability underpins all aspects of the Colleges' Strategies. A Lanarkshire Region Business Plan 2018-2023 was submitted to the SFC on 28th September 2018.

In the year to 31st July 2022, New College Lanarkshire made a deficit of £6,971k before other gains and losses on a turnover of £57,019k. New College Lanarkshire's underlying operating position was £1,788k deficit (2020/21 £2,020k deficit). Amcol Scotland Limited made a surplus of £331k before other gains and losses on a turnover of £3,389k net of intercompany transactions. Amcol's underlying operating surplus was £356k (2020/21 £331k surplus). South Lanarkshire College made a deficit of £1,204k before other gains and losses on a turnover of £19,134k net of intercompany transactions. South Lanarkshire College's underlying operating surplus was £1,078k (2020/21 £1,604k).

In the year to 31st July 2022, the Regional Strategic Body generated an underlying operating deficit of £355k, -0.41% of Total Expenditure (2020/21 – deficit of £83k, -0.10% of Total Expenditure), as detailed overleaf.

Underlying Operating Position

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000 Restated	College 2021 £'000 Restated
(Deficit) before other gains and losses	**(7,844)**	**(6,971)**	**(6,960)**	**(7,617)**
Add back:				

Financial Performance (continued)

- Depreciation (net of deferred capital grant release)	1,588	1,034	2,108	1,814
- Impairment of assets on revaluation	-	-	61	61
- Pension adjustment – FRS102 staff cost adjustment	4,856	3,693	4,249	3,371
- Pension adjustment – Net interest cost	467	366	518	415
- Non-cash early retirement adjustments	78	90	(59)	(64)
- Donation to charitable trust	500	-	-	-
Deduct:				
- Non-government capital grants	-	-	-	-
	(355)	(1,788)	(83)	(2,020)
	-0.41%	-2.79%	-0.10%	-3.31%
- Revenue funding allocated to loan repayments (from cash budget for priorities)	-	-	-	-
- Exceptional re-structuring cost - strategic grant	-	-	-	-
Underlying operating surplus/(deficit)				
% of Total expenditure				

The College (NCL) plus its direct subsidiary Amcol made a combined Underlying Operating Deficit of £1,432k (2020/21 surplus £80k). In 2020/21 this was before the clawback of ESF Funds due to failure to meet core Credit delivery.

Review of Regional Cash Budget for Priorities Spend for year ended 31st March 2022

One consequence of College reclassification as central government bodies is that, from 1st April 2014, while Colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with the Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how the Colleges spend the Cash Budget for Priorities funds previously earmarked for depreciation. There is a potential for this spend to move the College's Statement of Comprehensive Income into a deficit position (or increase an existing deficit).

For the Financial Year 2021/22, this meant that the Regional Strategic Body received cash of £1,060k (2020/21 £1,060k) which had been earmarked against net depreciation, impacting upon the Consolidated Statement of Comprehensive Income and Expenditure. Without approval to spend this cash it would have

Financial Performance (continued)

been effectively frozen. The Scottish Funding Council issued guidance to the sector on this matter on 30th January 2015 (SFC/AN/03/2015), and subsequently, which provides approval for that cash to be applied to student support, loan repayments, elements of National Bargaining and other pay increases, and to deliver improved services to learners.

Financial Performance (continued)

Review of Regional Cash Budget for Priorities Spend for year ended 31st March 2022 (continued)

The impact of the above has contributed £1,060k as a cost before other gains and losses for the 2021/22 accounting year (2020/21 £1,060k). However, the Scottish Funding Council has confirmed (in its letter to the sector on 30th March 2015) that a deficit resulting from a College following its 30th January 2015 guidance should be treated as a "technical" deficit and should not be interpreted, on its own, as a challenge to a College's ongoing financial sustainability. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for Cash Budget for Priorities depreciation does not constitute an underlying financial sustainability concern. The impact on the operating position is detailed below.

	2022	2021
Revenue	£'000	£'000
Student support Pay	-	-
award	401	401
Other elements of pay award and increase in pension contributions	-	-
Estates costs	659	659
Total impact on RDEL operating position	**1,060**	**1,060**
Capital	**-**	**-**
Total cash budget for priorities spend	**1,060**	**1,060**

Other Matters

Amcol Scotland Limited, a company limited by shares and a Scottish Registered Charity, N° SC039758, was transferred to Motherwell College on 31st December 2008. The shares were subsequently transferred to New College Lanarkshire upon legal formation. The results of the company for the 12 months to 31st July 2022 have been incorporated in the Regional Financial Statements.

Consolidated Income for the year was £79,076k, 19.9% of which was non SFC Income (2020/21 £75,418k, 22.6%). The Regional Strategic Body has accumulated consolidated reserves of £116,467k (2020/21: £74,873k) and net cash balances/loans/overdrafts of £10,995k (2020/21: £14,347k).

Regional Financial Performance Indicators

	2022	**2021**
Current assets: current liabilities	0.8:1	0.9:1
Days cash	54	73

These indicators reflect some stability in the ongoing financial performance.

Financial Performance (continued)

	NCL	NCL	Amcol	Amcol	SLC	SLC
	2022	2021	2022	2021	2022	2021
Current assets: current liabilities	0.5:1	0.7:1	6.8:1	6.8:1	1.7:1	1.5:1
Days cash	38	67	177	137	76	76

At 31st July 2022 NCL holds Student Support Funds of £2,260k to be repaid to the SFC (2021 £3,397k) and SLC holds £151k (2021 £450k). NCL has accrued £155k for voluntary severance payments after 31st July 2022 (2021 £996k).

Going Concern Statement

Having considered all relevant internal and external factors and planning mitigations, the Board of Management is satisfied that the Region has adequate resources and funding support to continue in operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of Financial Statements. The Regional Strategic Body continues to report a net asset position.

Payment Practice Code

The RSB complies with the CBI Prompt Payment Code and has a policy of paying suppliers by the end of the month following the date of invoice or supply, unless the invoice is disputed. It is also RSB policy to resolve disputes and complaints as quickly as possible. The level of creditors in terms of the proportion of the period end creditors to the aggregated invoiced amounts during the period was 11 days (2020/21 13 days). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Environmental Sustainability

The NCL Estates Strategy covers the ten-year period 2018-2028. Authored in 2018 and reviewed in 2019, with a further review due in 2022/23, the Strategy addresses how NCL's Built Environment will respond to and support NCL's future curriculum development. This includes key influencers such as the SFC National STEM Strategy, the government's planned expansion in early learning and childcare provision, and the enhancement of senior phase pathways such as apprenticeships and vocational programmes.

It provides direction in response to the identified backlog and cyclical maintenance requirements as set out in the SFC College Sector Estates Condition Survey and the appropriate actions to be taken to ensure NCL continues to take a leading role in addressing the wider environmental and social sustainability challenges put forward by The Climate Change (Scotland) Act 2009, while also highlighting potential barriers which may hinder or prevent the necessary Built Environment response to the identified influencers.

Our Estates Strategy commits NCL to Develop sustainable management practices and outcomes by working towards achieving the following objectives:

Financial Performance (continued)

- Provide a fit for purpose, environmentally sustainable built environment while embedding environmental and sustainable practices in all Estates operations;
- Support and contribute to the Scottish Government's Greener Scotland strategic objectives;
- Ensure the College achieves value for money and secures improvements to economic, social and environmental wellbeing;
- Facilitate the involvement of stakeholders including staff, learners, SMEs, third sector bodies to promote innovation and commitment.

Through delivery of these objectives NCL commits to addressing sector and national environmental and social sustainability challenges, as we recognise we have a significant role to play in supporting the Government's Greener Scotland strategic objectives. We adhere to environmental requirements in areas such as procurement, business travel and building management, and recognise the importance of consistent environmental reporting across public sector bodies.

Environmental Sustainability (continued)

Through the NCL Estates Strategy, we commit to prioritise capital investment in environments that are proven to be economically viable and sustainable in their construction, operation and in the delivery of the curriculum. The College commits to implementing a robust Carbon Action Plan that will set NCL's sustainable ambitions and targets to address the environmental impact of our activities through planned sustainable practices, and which commits NCL to completing and supporting both the 'Required' and 'Wider Influence' sections of the Public Bodies Climate Change Duties (PBCCD) Reporting tool. NCL had an active presence at COP26 in November 2021 and remains fully committed to its obligations around environmental sustainability.

The South Lanarkshire College (SLC) 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 significant positive ethos on learning outcomes and that a comfortable environment enhances the overall learning experience, the main objectives of the College's Estates Strategy are:

- To maintain the existing high-quality environment both in functionality and look;
- To consider priorities in providing and obtaining best value in relation to the estates and all its activities, providing a safe and secure environment, complying 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 comply with changing legislation and ensuring that appropriate management processes are in place;
- To acknowledge the importance of environmental issues in the way we enhance the College estate.

The Scottish Government aims to reduce carbon emissions by setting annual targets. In 2007/08 SLC set itself a target to reduce its carbon footprint by 15% over a 10-year period. This target was exceeded by a

Financial Performance (continued)

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

Scottish Government Sustainability Reporting and other environmental impacts

The College Sustainability Group has within its remit the requirements to draw together the mandatory "Public Sector Climate Change Report" for the Scottish Government due by 30th November 2022. In the baseline year of 2008/09, the SLC's carbon footprint was 1,973t eCO_2 for the year 2020/21, the College's carbon footprint was 753.7t eCO_2. This is in keeping with the College's slight reduction in headcount as well as the impact of COVID-19.

The Sustainability Group has a remit to oversee various projects that promote sustainable behaviours such as the re-usable cups project, the initiative to power down PCs when not in use, the change from plastic to paper drinking straws and the liaison with the catering suppliers working with Zero-Waste Scotland to reduce waste streams and also reduce the amount of food container waste where practicable. Furthermore, the College strives to promote sustainable behaviour to all students and staff and the annual "Green Day" which has helped to provide a focal point in the year for activities.

Environmental Sustainability (continued)

The College array of 380 solar panels, ground and air source heat pumps and arrangements for rainwater harvesting on its buildings continue to provide environmental benefit as well as contributing towards financial efficiency.

The Lanarkshire Regional Strategy (2018-2023) states that the Region will "strive to provide a fit for purpose, environmentally sustainable built environment". The Colleges are working together on this. Progress we make will depend, to an extent, on appropriate levels of funding being available.

Ronnie Smith, Chair of the Lanarkshire Board.	Professor Christopher Moore, Principal and Chief Executive, New College Lanarkshire, Chief Officer, Regional Strategic Body.

ACCOUNTABILITY REPORT

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

Corporate Governance Report

The Corporate Governance Report explains the composition and organisation of governance structures and how they support the achievement of objectives. The report includes a Board of Management Report, a Statement of the Board of Management's Responsibilities and a Statement of Corporate Governance and Internal Control.

Board of Management Report – The Lanarkshire Board

Board of Management Report (continued)

This report covers the year from the 1st August 2021 to 31st July 2022 and also includes any developments in the period up to the September/October 2022 Board cycle.

Historical Background

The Lanarkshire Board was established by the Lanarkshire Colleges Order 2014 and this Order defines the membership of the Lanarkshire Board, which came into being on the 1st October 2014. There was a transition Board for a year with the last meeting taking place on the 22nd June 2015, and a number of members left the Board on this date. The first meeting of the post-transition Board was the 14th September 2015 following recruitment by open appointment for all non-executive members of this post-transition Lanarkshire Board (except the Chair which is a ministerial appointment) and the election of New College Lanarkshire staff members (24th August 2015) and the Student President (from 1st July 2015 annually).

Distinct from New College Lanarkshire (NCL) and having a separate Board of Management, the Principal of South Lanarkshire College (SLC), the Chair of SLC, two SLC staff members and the SLC Student President are members of the Lanarkshire Board through the Lanarkshire Colleges Order 2014. SLC is an assigned College to NCL, NCL being the Regional College and the Regional Strategic Body (RSB) i.e. The Lanarkshire Board. The SLC members on the Lanarkshire Board were to be reviewed within a year following the open recruitment to the post-transition Lanarkshire Board: recruitment took place to the SLC Board from June to September 2016. Staff elections were held by SLC in August/September 2016 and the ballot closed and the declaration was made on the 12th September 2016. The review of the SLC membership was, therefore, delivered.

Senior Managers Attending the Board

The Lanarkshire Board Members are listed in the tables below. The NCL and SLC Principals and Chief Executives are Board Members and the NCL Principal is Chief Operating Officer of the Lanarkshire Board – the RSB.

There has been a staff restructure at NCL of the Executive Board. A Deputy Principal was appointed from 13th November 2020. The Deputy Principal attends all Committee and Board meetings.

Senior Managers Attending the Board (continued)

The rest of the Executive Board was restructured in July 2021 and the new post-holders attending Board Committees and the Board are:

- Chief Financial Officer – Finance, Audit and Risk, RGP and the Board appointed from the 2nd August 2021.
- Chief Transformation Officer – Audit and Risk, RGP, (as required Finance) and the Board appointed from the 2nd August 2021.

Board of Management Report (continued)

- Assistant Principal: Education and Student Success – CSAO Committee and the Board appointed from the 2nd August 2021.
- Dean for Staff Development Academy – CSAO Committee appointed from the 2nd August 2021.
- HR Business Partner – Restructuring - the RGP Committee and the Board. This post holder was appointed as College Registrar on 29th November 2021.

The Depute Principal of SLC has attended meetings of the CSAO Committee and the Board. The SLC Head of Finance has attended the Board and the Finance and Audit Committees.

Review of Regional Strategic Bodies and SLC Attendance

The Scottish Funding Council (SFC) Review of Regional Strategic Bodies Report in October 2020 recommended the RSB should be dissolved and that both NCL and SLC should manage themselves as separate regional entities. The report encouraged both Colleges to continue to be part of appropriate education, skills and economic recovery regional planning and to build useful collaborations together or with other partners and to foster strong economic planning partnerships at a Lanarkshire and a wider Glasgow level.

Following this recommendation, there were discussions within the Lanarkshire region between the Colleges and with Auditors, the SFC and the Scottish Government and a transition plan was set out. As part of the process of transition, it was agreed with the SFC that the Lanarkshire Board would move to having NCL only Committees from January 2021 with SLC reporting from its Committees and its Board directly to the Lanarkshire Board meetings. This was agreed at the 14th December 2020 meeting of the Lanarkshire Board and SLC Board Members and senior staff did not attend Lanarkshire Board Committee meetings from the November/December 2020 Board cycle apart from the SLC Principal attending the Lanarkshire Board ARC for the Item on the Regional Risk Register (attending the February and May meetings).

This was intended to be an interim arrangement until dissolution in July 2021. However, the dissolution has been delayed and is currently still under discussion. In the meantime, governance issues emerged at SLC and the Chair of the Lanarkshire Board set out at the Board meeting on the 4th October 2021 that this arrangement would need to be reviewed given governance issues. Following this meeting, the Chairs of the Audit and Risk Committees (ARC) began to attend each other's meetings. This was then extended to the Chairs of the Finance Committee and now the SLC Acting Principal, the Depute Principal and the Head of Finance are re-attending the Lanarkshire Board ARC, Finance and CSAO Committees. SLC put a Governance Improvement Plan (GIP) in place with updates going to the Lanarkshire Board ARC and to the Board. It was agreed at the Lanarkshire Board meeting on the 3rd October 2022 that due to the positive progress made with the plan it was no longer needed with most of the recommendations included having been addressed during the year 2020/21 and monitoring would be through the SLC ARC Committee Audit Assurance Framework.

Board of Management Report (continued)

Changes to Board Members in 2020/21

Student Elections: The annual student elections were held in May 2021 and two new Student Presidents were appointed from the 1st July 2021 – Kellyann McGraith for NCL and Gemma McClarence for SLC. Gemma McClarence was on maternity leave from October 2021 and the SLC Student Vice President Alan Mackie was to attend Lanarkshire Board meetings from October 2021. However, he also went on leave and Rahela Calin was nominated as the SLC student Board Member. Both Kellyann McGraith and Rahela Calin were re-elected in the student elections in May 2022.

SLC Staff Elections: The Lanarkshire Board extended the terms for the SLC staff members to the end of September 2021 at its meeting on the 22nd March 2021. The SLC Staff Members Jean Carratt (academic staff) and Rosemary Harkness (support staff) stepped down from the Board on the 30th September 2021. Cheryl Robertson (academic staff) and Anne Doherty (support staff) were the new elected SLC staff members as of the 1st October 2021. Cheryl Robertson stood down on the 15th December 2022 and Tarryn Robertson was elected as the academic staff member following another staff election.

Board Resignations: Lorraine Cowan announced that she was standing down as the NCL academic staff member from 30th August 2022 and Fraser Hainey was elected from 14th September 2022.

Board of Management Report (continued)

Membership of the Lanarkshire Board

The members of the NCL Board of Management, pursuant to the Further and Higher Education (Scotland) Acts 1992 and 2005, the Post-16 Education (Scotland) Bill 2013 and the Lanarkshire Colleges Order 2014, who served during the period from the 1st August 2021 to 31st July 2022 are set out below. This table also covers changes to the signing of the Financial Statements.

The Board Members of the Lanarkshire Board:

		Changes During Reporting Period	
Board Member	**Designation**	**Date became member**	**Date of change**
Ronnie Smith	Chair of the Board by public appointment by Scottish Ministers from 11th August 2019 to 10th August 2023	11th August 2019	
Kenny Anderson	Chair of the Finance Committee	27th August 2015 Term renewed by Scottish Ministers for four years from 28th August 2019	
Paula Blackadder	Board Member	25th October 2019	
Rahela Calin	SLC Student President	1st July 2022	
Jean Carratt	SLC Teaching Staff Member	12th September 2016	30th September 2021
Lorraine Cowan	NCL Teaching Staff Member	30th April 2019	30th August 2022
Dianne Dixon	Board Member	13th March 2019	
Anne Doherty	SLC Support Staff Member	1st October 2021	
John Elliot	Board Member	27th August 2015 Term renewed by Scottish Ministers for four years from 28th August 2019	
Yvonne Finlayson	Board Member and Chair of the Audit & Risk Committee from 2nd September 2019	13th March 2019	
Keith Fulton	Senior Independent Member of the Board.	27th August 2015 Term renewed by Scottish Ministers for four years from 28th August 2019	
Fraser Hainey	NCL Teaching Staff member	Elected from 14th September 2022	
Rose Harkness	SLC Support Staff Member	12th September 2016	30th September 2021
Paul Hutchinson*	Chairing Member	30th November 2021	
Moira Jarvie	NCL Support Staff Member	24th August 2015 Re-elected for four years in contested election on 6th September 2019	

Board of Management Report (continued)

The Board Members of the Lanarkshire Board (continued)

Changes During Reporting Period

Board Member	Designation	Date became member	Date of change
Andy Kerr	Chair of the SLC Board. Appointed to the Board 25th May 2018	25th May 2018	Term ended on the 24th May 2022
Alan Mackie	SLC Student Vice- President – stepping in for Gemma McClarence who is on leave.	October 2021	Also, on leave – term ended 30th June 2022.
Gemma McClarence	Student President at SLC	1st July 2020 Re-elected May 2021	On leave from October 2021. Term ended 30th June 2022.
Michael McGlynn	Board Member	25th October 2019	
Kellyann McGraith	NCL Student President	1st July 2021	Re-elected 1st July 2022
Liz McIntyre *	Acting SLC Principal	16th December 2021	Interim Principal-contract ended 31st March 2022
Aileen McKechnie	SLC Principal	2nd March 2020	16th January 2023
Ryan McRobert	Board Member	13th March 2019	
Professor Christopher Moore	NCL Principal and Chief Executive. Chief Officer of the Regional Strategic Body	11th November 2019	
Barbara Philliben	Board Member	25th October 2019	
Alan Sherry*	Acting SLC Principal	1st April 2022 – crossover from 28th March 2022	
Alastair Rennie	Board Member	25th October 2019	
Cheryl Robertson	SLC Academic Staff Member	1st October 2021	15th December 2021
Tarryn Robertson	SLC Academic Staff Member	1st June 2022	
David Winning	Board Member – Chair of the CSAO Committee from 13th November 2017	31st January 2017 Term extended by 4 years by Scottish Ministers from 1st February 2021	

* Paul Hutchinson became the SLC Chairing Member on the 30th November 2021 and Liz McIntyre became the SLC Acting Principal on the 16th December 2021 with her contract ending on the 31st March 2022. Alan

Board of Management Report (continued)

Sherry then became the Acting SLC Principal from the 1st April 2022 following a crossover from the 28th March 2022.

Attendance at the Lanarkshire Board

There have been five meetings of the Lanarkshire Board in the period from the 1st August 2021 to the 3rd October 2023 as follows: 4th October 2021, 13th December 2021, 21st March 2022, 13th June 2022 and 3rd October 2022.

Attendance Rate		
No of Board members attending	**No of meetings attended**	**% Attendance**
12	5	100%
4	4	80%
2	3	60%
2	2	40%
1	1	20%

There were additional staff elections at SLC and the Student Presidents were on special leave during part of this year. The SLC Acting Principals were not able to attend Board Meetings in 2022 due to prior commitments but the SLC Depute Principal attended all meetings and gave the Principal's Updates.

Lanarkshire Board Committee Structure and Attendance

The Lanarkshire Board has formally constituted Committees which have specific terms of reference and act with delegated authority from the Board. SLC were represented at each Committee either through membership or being in attendance. SLC decisions from its own Board and Committees were reviewed at the respective equivalent Committee. Following the SFC Review of the RSB's and the recommendation to dissolve the Lanarkshire RSB, it was agreed by the Lanarkshire Board at its 14th December 2020 meeting that from January 2021 there would be NCL only Committees in anticipation of a dissolution date of the 31st July 2021. The transition plan and this date has now slipped and the new date is as yet not clear. As noted above, the Lanarkshire Board Committee attendance has now been changed with the ARC Chairs now attending each other's meetings and with the SLC Principal and Depute Principal and Head of Finance now attending the CSAO, ARC and Finance Committees and the RGP Committee is currently reviewing attendance at its meetings. The Committee agendas have been re-ordered to include business from SLC. The Board's key Committees and Members from 1st August 2021 for the period in question are:

Audit & Risk Committee (ARC): The Chair is Yvonne Finlayson (formally appointed at the 2nd September 2019 meeting), John Elliott, Ryan McRobert and Alastair Rennie.

Board of Management Report (continued)

The Committee met on the following dates within the period to the September/October 2022 Board cycle: 6th September 2021, 8th November 2021 (joint meeting with Chairs' Committee), 6th December 2021, 21st February 2022, 16th May 2022 and 5th September 2022.

Attendance Rate		
No of Board members attending	**No of meetings attended**	**% Attendance**
2	7	100%
1	6	86%
1	4	57%

Lanarkshire Board Committee Structure and Attendance (continued)

Finance Committee: Chair Kenny Anderson, Moira Jarvie, Paula Blackadder and Christopher Moore. Paula Blackadder became the Chair of the Committee following the Board meeting on the 13th June 2022. Kenny Anderson left the Finance Committee to join the RGP and Barbara Philliben joined the Finance Committee leaving the RGP.

The Committee met on the following dates: 13th September 2021, 22nd November 2021, 28th February 2022, 14th March 2022, 4th May 2022, 23rd May 2022 and 12th September 2022.

Attendance Rate		
No of Board members attending	**No of meetings attended**	**% Attendance**
4	7	100%

Curriculum, Student Affairs and Outcomes (CSAO) Committee: Chair David Winning, Jean Carratt, Lorraine Cowan, Dianne Dixon, Rose Harkness, Christopher Moore, Aileen McKechnie/Acting Principal Alan Sherry, NCL Student President Kellyann McGraith and SLC Student Presidents Gemma McClarence and Rahela Calin from 1st July 2022 and Barbara Philliben. Jean Carratt and Rose Harkness stood down as the SLC staff members at the end of their term on the 30th September 2021. Cheryl Robertson was elected as staff member but resigned on the 15th December 2022. Tarryn Robertson was elected on the 1st June 2022 and became a member of the Lanarkshire Board from that date. Lorraine Cowan the NCL academic staff member resigned in August 2022 and Fraser Hainey was elected in September 2022 as the NCL academic staff member. The Committee met on the following dates: 6th September 2021, 15th November 2021, 21st February 2022, 16th May 2022, 5th September 2022.

Attendance Rate NCL Members		
No of Board members attending	**No of meetings attended**	**% Attendance**
4	5	100%

Board of Management Report (continued)

2	3	60%

Lorraine Cowan resigned as NCL academic staff member in August 2022 and the new NCL staff member Fraser Hainey was not elected until after the 5th September 2022 meeting. Tarryn Robertson and the SLC Interim Principal Alan Sherry attended the 5th September 2022 meeting as did the SLC Depute Principal.

Resources and General Purposes Committee (RGP): Chair Keith Fulton, Christopher Moore, Barbara Philliben and Michael McGlynn. Following the Board meeting on the 13th June 2022 Barbara Philliben leaves the RGP Committee to join the Finance Committee and Kenny Anderson leaves the Finance Committee to join the RGP Committee.

The Committee met on the following dates: 12th September 2021, 15th November 2021, 28th February 2022, 23rd May 2022 and 12th September 2022. Attendance at this Committee was 100% for five board members and 83% for one Board Member who missed one meeting.

Attendance Rate		
No of Board members attending	**No of meetings attended**	**% Attendance**
3	5	100%
1	1	20%

Lanarkshire Board Committee Structure and Attendance (continued)

Chairs' Committee: Chair Ronnie Smith, Kenny Anderson, Yvonne Finlayson, Dave Winning and Keith Fulton. There were meetings on the 8th July 2021, 19th August 2021, 14th and 16th September 2021, 8th November 2021 (joint meeting with the Lanarkshire ARC), 7th February 2022, 3rd May 2022, 26th July 2022 and 24th August 2022. Paula Blackadder joined this group following the Board meeting on the 13th June 2022 when she became the Chair of the Finance Committee.

Attendance Rate		
No of Board members attending	**No of meetings attended**	**% Attendance**
4	8	100%
1	7	88%

Remuneration Committee: Chair Kenny Anderson, Keith Fulton, Yvonne Finlayson and Dave Winning.

The Committee met on the 8th July 2021 and the 6th June 2022. There was 100% attendance from three Board Members and one missed a meeting putting their attendance at 50%.

Attendance Rate		

Board of Management Report (continued)

No of Board members attending	No of meetings attended	% Attendance
3	2	100%
1	1	50%

Nomination and Search Committee: Chair Keith Fulton, Chair of SLC and Chair of the RGP (or two Committee chairs), Independent Member from another region.

The Boards Nominations Committee did not meet in this period.

A full Register of Interest can be found through http://www.nclanarkshire.ac.uk/us/board-ofmanagement/meet-the-board/register-of-interests. All non-executive positions within the Board are voluntary and unpaid with the exception of the Chair who claims an allowance for hours worked.

Related Party Transactions

New College Lanarkshire (NCL) is a body incorporated under the Further and Higher Education (Scotland) Acts 1992 and 2005 and is sponsored by the Scottish Government via the Scottish Funding Council (SFC). The SFC is regarded as a related party. During the period, NCL has had various material transactions with the SFC.

In addition, NCL has had various material transactions with other Government Departments. Most of these have been with North Lanarkshire Council, South Lanarkshire Council, East Dunbartonshire Council, the Student Awards Agency Scotland, Scottish Enterprise, Skills Development Scotland and the Department for Work and Pensions.

Due to the nature of NCL's operations and the composition of its Board of Management (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations with which the College's Board of Management has an interest. With the exception of South Lanarkshire College and nursery education provided by the 100% subsidiary Amcol Scotland Limited, 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 in accordance with normal project and procurement rules.

Other than the above, the College had transactions with no other publicly funded, representative and other non-public bodies in which Board of Management members held official positions during the period to 31st July 2022. During the year, New College Lanarkshire entered into the following material transactions with the following Board Members, members of the Executive Board and other related parties:

South Lanarkshire College

Board of Management Report (continued)

During the year ended 31st July 2022, South Lanarkshire College was charged £59k by New College Lanarkshire covering membership fee recharges and contributions to the costs of the Regional Board (£71k for the year 2020-21). At 31st July 2022 £3k had yet to be invoiced in relation to this recharge. At 31st July 2022, other than the above, SLC was a net debtor to the value of £37k.

Amcol Scotland Limited

During the year ended 31st July 2022, New College Lanarkshire worked closely with Amcol Scotland Limited in furthering the provision of Further Education in the community. During the year ended 31st July 2022, Amcol Scotland Limited provided the College with goods and services (including the provision of childcare to assist 102 incidents of placement) to a total value of £466k.

Rent and Service Charges payable to the College by Amcol Scotland Limited totalling £186k were paid in respect of the year ended 31st July 2022.
At 31st July 2022, Amcol Scotland Limited was a net debtor to the value of £15k.

During the year in question, the following members of the Board of Management and the Executive Board were connected being Directors of Amcol Scotland Limited: Moira Jarvie (Support Staff Member of the Board of Management) and Iain Clark (Chief Financial Officer/CFO).

Personal Data Security

There were 10 known incidents of personal data breaches in 2021/22 (14 incidents 2020/21) at NCL. One of the 10 breaches was referred to the Information Commissioner's Office (ICO) based on the assessment of risk to the data subject(s). The ICO concluded that the incident did not reach the requirements for regulatory action. This was based on the proposed remedial measures set out by the College when reporting the breach which the ICO expects to be implemented in order to prevent reoccurrences.
SLC had 6 reported incidents of a data breach in the year up to 31st July 2022. All breaches have been closed off and improvements made from the lessons learnt, including staff training and changes to the process or system that has caused the breach. No breach was of high risk and reported to ICO.

Estates Strategy

The NCL Estates Strategy covers the ten-year period 2018-2028. Authored in 2018 and reviewed in 2019, with a further review due in 2022/23, the Strategy addresses how NCL's Built Environment will respond to and support NCL's future curriculum development. This includes key influencers such as the SFC National STEM Strategy, the government's planned expansion in early learning and childcare provision, and the enhancement of senior phase pathways such as apprenticeships and vocational programmes. It provides direction in response to the identified backlog and cyclical maintenance requirements as set out in the SFC College Sector Estates Condition Survey and the appropriate actions to be taken to ensure NCL continues to

Board of Management Report (continued)

take a leading role in addressing the wider environmental and social sustainability challenges put forward by The Climate Change (Scotland) Act 2009, while also highlighting potential barriers which may hinder or prevent the necessary Built Environment response to the identified influencers. South Lanarkshire College has a separate Estates Strategy, referred to in the Performance Report. The Lanarkshire Regional Strategy (2018-2023) states that the Region will "strive to provide a fit for purpose, environmentally sustainable built environment". The Colleges are working together on this.

Regionalisation – Benefits and Regional Structure Review

Regional Benefits Summary Statement

The Lanarkshire Board recognised from its inception that there were benefits to be gained from regionalisation. The concept of a Lanarkshire Regional Board aligned the two Colleges with the regional dimensions of the two major Lanarkshire Local Authorities, the NHS Lanarkshire Health Board and the Lanarkshire Economic Forum. The Lanarkshire Board was charged with regional responsibilities in the 2013 Further and Higher Education Act and the 2014 Lanarkshire Order.

Examples of what was achieved by the Lanarkshire Board include:

- The creation and development of an agreed Regional Strategy;
- The establishment of a Regional Risk Strategy and Register;
- Joint procurement in areas such as waste management and catering as part of a regional Value for Money policy;
- Joint curriculum development in specific curricular areas;
- Collaboration around student recruitment to help ensure that places are not blocked as a result of an offer from one Lanarkshire College being replicated by the other; and
- As appropriate, the transfer of Credits across Lanarkshire enabling full benefit of the allocation to the Region and its learners.

A Draft Regional Collaboration Plan was agreed in principle by the Board at its meeting on the 7th October 2019 and that plan set out examples of existing shared good practice which included the following:

- Health and Safety Procedures;
- Student Associations' Engagement;
- FED online Tool – data sharing;
- Two way sharing of IT Systems and approaches;
- Internal verification approaches;
- HR Networking meetings;
- Student recruitment collaboration with regard to the Application and Acceptance Policy; • Credits and other transfers as appropriate;

Board of Management Report (continued)

- Mutual exchange of financial information;
- Regular joint Senior Finance staff meetings;
- Joint approach on Government Banking and Brexit arrangements;
- Joint working towards each Colleges BSL Action Plan; • Curriculum progression routes in Hospitality and Sport;
- Joint submission ESF Skills template to SFC.

The draft plan also stated that exploring further possible developments in the alignment of systems and processes for mutual and regional benefit were actively under consideration. This included the identification and application of operational strengths in each College which could be shared. There was also scope for greater integration and collaborative value aimed at providing improvement and overall regional excellence for learners, staff and stakeholders alike. A number of opportunities were identified in the draft plan in the following areas: Curriculum, Stakeholder Benefit, Organisational Infrastructure and Finance.

Regional Structure Review

However, having identified these opportunities the Board recognised that there were barriers to regionalisation which were inherent in the unique Lanarkshire Board model as legislated for in the 2014 Lanarkshire Order. NCL is designated as both the Regional College and the RSB i.e. the Lanarkshire Board has a dual role as the Board of NCL and as the RSB. South Lanarkshire College (SLC) is assigned to the Lanarkshire Board but it has its own autonomous Board within this structure and the Board and College have their own aspirations in reflection of this autonomy. This model for the Lanarkshire Board relies, as partnerships do, on an alignment of the willing and separate aspirations can affect the delivery of partnership working.

The Chair of the Lanarkshire Board initiated a review of the regional structure following his appointment in August 2019 with the agreement of the Lanarkshire Board and in collaboration with the Chair of SLC. This review along with a review by an SFC funded consultant in August/September 2019 and a subsequent SFC evaluation of the Lanarkshire Board in October 2019, which was part of a review of all the RSB's, identified barriers to regionalisation including issues around the current structure and highlighted potential areas for improvement.

In the SFC Report, that followed the evaluation on the Lanarkshire Board (as part of a wider review of all RSBs) dated 20th October 2020, the recommendation read:

"We recommend that the RSB should be dissolved and both Colleges manage themselves as separate regional entities, forming a direct relationship with SFC. For clarity, we also encourage both Colleges to continue to be part of appropriate education, skills and economic recovery regional planning, and to build useful collaborations together or with other partners, and to foster strong economic planning partnerships at a Lanarkshire and wider Glasgow level."

The Chair of the Lanarkshire Board, in collaboration with SLC, continued discussion with the SFC and the Scottish Government and a Transition Plan was drawn up to facilitate the transition to dissolution of the RSB

Board of Management Report (continued)

by the 31st July 2021. A Lanarkshire liaison group was set up by the Scottish Government facilitated by the SFC to overview the transition and had its first meeting on the 14th April 2021 and the second on the 14th June 2021. The key action in the Transition Plan for the RSB to undertake was to move to having NCL only Committees by January 2021 with SLC members no longer required to attend the Lanarkshire Board Committees. SLC reports from its Committees would now be made directly to the Board along with the SLC Board report. This was agreed with the SFC and with SLC and approved by the Lanarkshire Board at its meeting on the 14th December 2020. However, during the course of 2021, the Transition Plan timetable with key actions from the SFC and the Scottish Government has been reprioritised and currently a revised dissolution date has not been finalised.

At the Lanarkshire Board meeting on the 4th October 2021 the Chair stated that these arrangements would be reviewed following the emergence of governance issues at SLC. As noted at Page 29 above, the NCL and SLC ARC and Finance Chairs are now attending each other's meetings. A Governance Improvement Plan was put in place by SLC and monitoring reports have been considered by the Lanarkshire Board ARC. The SLC Acting Principal, Depute Principal and Head of Finance are now attending meetings of the Lanarkshire Board CSAO, ARC and Finance Committees and the agendas include business from SLC.

Board of Management Report (continued)

Disclosure of information to auditors

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

The Lanarkshire Board determine that given the guidance there is no need to prepare a Parliamentary Accountability Report.

Ronnie Smith,
Chair of the Lanarkshire Board.

Professor Christopher Moore,
Principal and Chief Executive,
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.

Statement of the Board of Management's Responsibilities

The Lanarkshire Board is the Board of Management (BOM) for the Regional College, New College Lanarkshire (NCL). South Lanarkshire College (SLC) – the assigned College – has responsibility for its own governance. The Lanarkshire Board also has regional functions which are set out in the Statement of Corporate Governance and Control below. The statement of the BOM's responsibilities below refers to the Lanarkshire Board as the Board of NCL. The Board of South Lanarkshire College will approve the accounts and Board processes from SLC and give the Lanarkshire Board the assurances required for the consolidated accounts.

In accordance with the Further and Higher Education (Scotland) Acts 1992 and 2005, a Board of Management is responsible for the administration and management of an organisation'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 organisation 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 and relevant Guidance Note: Accounting for Further and Higher Education, and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and a Board of Management, the

Board of Management, through its designated office holder, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs and of the surplus or deficit and cash flows for that year.

In preparing these Consolidated Regional Financial Statements, the Board of Management has ensured that:

- Suitable accounting policies have been selected and applied consistently;
- Judgements and estimates have been made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Financial Statements have been prepared on the going concern basis unless it is inappropriate to presume that the organisation will continue in operation. The Board of Management is satisfied that it has adequate resources and funding support to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of Financial Statements.

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 and any other conditions which the Scottish 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 organisation and prevent and detect fraud; and
- Secure the economical, efficient and effective management of the organisation's resources and expenditure.

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

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

- Clear definitions of the responsibilities of, and the authority delegated to, the Board of Management and the executive;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income and expenditure, capital and cash flow budgets;
- Regular reviews of key performance indicators and business risks, and reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to detailed appraisal and review according to approval levels;
- Comprehensive Financial Regulations, detailing financial controls and procedures; and

- Professional Internal Audit Services whose annual programmes are approved by the Audit & Risk Committee and who provide the Audit & Risk Committee with a report on the internal audit activity within the organisation and an opinion on the adequacy and effectiveness of the system of internal control, including financial control.

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

Statement of Corporate Governance and Internal Control

The Region is committed to exhibiting best practice in all areas of corporate governance and internal control. This summary describes the manner in which the organisation has applied the principles in The UK Corporate Governance Code, published by the Financial Reporting Council in June 2018, The Turnbull Committee (Turnbull Guidance) and The Revised Code of Good Governance for Scotland's Colleges 2016. Its purpose is to help the readers of the Financial Statements understand how the principles have been applied.

On 1st October 2014, the Lanarkshire Colleges Order 2014 designated the Board of Management of New College Lanarkshire as a Regional College; made the College a Regional Strategic Body; and assigned the Board of Management of South Lanarkshire College to the College. The Board was transitional until the appointment of non-executive Board Members by open appointment which was completed in August 2015. The constitution of New College Lanarkshire is altered to reflect its new role as a Regional Strategic Body. The New College Lanarkshire Board membership is increased so that the Chair, Principal, two staff members and one student member of the Board of South Lanarkshire College are also members of the Board of Management of New College Lanarkshire. There are also amendments to the provisions regarding qualifications, tenure of office and resignation of the additional members of the Board of New College Lanarkshire.

It is the duty of a Regional Strategic Body to exercise its functions with a view to securing the coherent provision of a high quality of fundable further and higher education in the localities of its Colleges. In doing so, the Regional Strategic Body must have regard to any fundable further education and fundable higher education provided by any other post-16 education bodies in the localities of its Colleges. Inter-alia, the Board must monitor the performance of its Colleges in accordance with the Further and Higher Education Scotland Act 2005. The Board may give such directions to its Colleges, or to any of them, as it considers appropriate, in accordance with the 2005 Act.

Statement of Corporate Governance and Internal Control (continued)

The key action in the Transition Plan for the RSB to undertake was to move to having NCL only Committees by January 2021 with SLC members no longer required to attend the Lanarkshire Board Committees. SLC reports from its Committees would now be made directly to the Board along with the SLC Board report. This was agreed with the SFC and with SLC and approved by the Lanarkshire Board at its meeting on the 14th December 2020. The external auditors were fully informed of this process. This meant that for the period August to December 2020 SLC Board Members attended the Lanarkshire Board Committees but for the period from January 2021 to October 2021 SLC reported solely through the Lanarkshire Board.

However, during the course of 2021, the Transition Plan timetable with key actions from the SFC and the Scottish Government has been reprioritised and currently a revised dissolution date has not been finalised. As dissolution has not progressed as originally planned on 31st July 2021, the Lanarkshire Board retains its status and responsibilities as a Regional Strategic Body. The Lanarkshire Board reviewed its governance structure to ensure it can maintain effective oversight as an RSB during 2021/22 and it has reinstated SLC Board members attendance at its Committees with additional attendance by the Chairs of Audit and Risk and the Finance Committees at each other's Committees.

Governance Issues 2021/22 Assigned College

SLC reported governance issues in its Financial Statements to the year ended 2021 and the action taken by the RSB to support the assigned college was reported in the NCL Financial Statements to July 2021. SLC have set out the following in regard to governance in their Financial Statements for the year ended 31st July 2022.

Extracts from the **SLC Financial Statements** for the year ended 31st July 2022.

- **Page 23, Para 3** - "The College Development Network undertook an external effectiveness review of the work of the Board in June 2021, which is part of ensuring that the Board has a robust selfevaluation process, as required by The Code of Good Governance for Scotland's Colleges. As part of this report eleven actions were recommended. Key recommendations relate to Board induction and training, the creation of an annual work plan for the Board and its committees, membership of Board committees, a revised approach to the reporting of KPIs and a focus on diversity in future Board recruitment. All of these recommendations, along with those contained in the further SFC Review of Governance, were included in a Governance Improvement Plan which was monitored by the Lanarkshire Regional Board. This Plan has now been largely implemented with only a few improvements in course of completion."

- **Page 23, Para 5** - "Following discussions between the LRSB and the Scottish Funding Council with regard to ongoing internal governance issues, the latter commissioned a review of governance at the College which took place in August 2021 (see following paragraph for details). This review has examined aspects of governance against the appropriate benchmarks contained in the Code of Good Governance for Scotland's Colleges. The detail of the report remains confidential, however the recommendations made have been included in the South Lanarkshire College Governance Improvement Plan which has been implemented during 2021/22. The College, and its external auditors, have been assured by the SFC that there are no further matters related to recommended improvements in corporate governance contained within the redacted elements of this report."

Statement of Corporate Governance and Internal Control (continued)

- **Page 24, Para 1** – "An Extraordinary Meeting of the Board of Management was called on 30 November 2021 to discuss ongoing matters in relation to governance issues. The Board agreed to commission two independent investigations and, for these matters to be fully scrutinised, it was decided to suspend the Principal and the interim Clerk to the Board, whilst the Chair of the Board stood down from his duties. As a consequence, the LRSB appointed Mr Paul Hutchinson as Chairing Member. At the 16 December 2021 meeting the Board approved the appointment of Ms. Liz McIntyre as Acting Principal to support the College during the independent investigations. At the time of signing the Report and Financial Statements, the confidential matters in relation to governance issues had been completed." It is reported at **Post Balance Sheet Event page 17 and at Note 23 to the Financial Statements** that **"**There were no events occurring after the year-end, which fall under the definition of a post balance sheet event, which impact on the financial results of the year. However, it should be noted that the investigation into matters of governance which commenced in January 2022 was completed in January 2023. During this time, the Principal of the College and the Clerk to the Board had been suspended and the Chair of the Board had stepped back from his duties. The tenure of the Chair, who had stepped back from his duties for the duration of the investigation, ended in May 2022 and he did not seek reappointment. At a Board meeting held on 16th January, the Principal and Clerk to the Board were dismissed on the grounds of gross misconduct."

- **Page 26, Statement of Compliance with Good Governance** – "The Board's review of Governance in 2020/21, identified four breaches of the Code of Good Governance. However, it is vital to acknowledge that no further breaches have been identified. Furthermore, the College has addressed these breaches reported and is pleased to report that it is now fully compliant with the Code."

- **Page 27, Overall Summary** – "The Board is of the view that as at 31st July 2022, it was fully compliant with the Code of 2016 in every particular and that a comprehensive Governance Improvement Plan has been completed. In addition, the College is now fully in line with the September 2022 Edition of the Code of Good Governance which demonstrated further its commitment to sound corporate governance."

RSB Observations

In order to ensure robust oversight of governance issues and opportunities for improvement, the SLC Board agreed that the College would produce an overarching Governance Improvement Plan which would build on the recommendations made by a CDN review and an SFC review with SLC members noting that the Lanarkshire Board had requested such a plan. This plan has been considered by the SLC ARC and Board and also by the
Lanarkshire Board ARC and Board. The Lanarkshire Board agreed at its meeting on the 3rd October 2022 that the actions raised in the plan had been completed and that on-going monitoring would be subsumed into the SLC's audit assurance framework.

Despite the challenges presented by the need to appoint a new Chairing Member and to fill the post of Acting Principal, there has been continuity of corporate governance in that that the appointed Chairing Member had been a Board member for six years and discharged the role of Vice Chair for a period of circa

Statement of Corporate Governance and Internal Control (continued)

four years. In addition, the Chairing Member had previously chaired the Audit and Risk Committee. Continuity of Senior Management has been provided by a highly competent Depute Principal, supported by an experienced Leadership Team.

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

SLC have confirmed in their accounts that SLC 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 for Scotland's Colleges and the relevant parts of the SPFM.

The Lanarkshire Board Code of Good Governance

In the opinion of the Board of Management, the RSB complies with all provisions of The UK Corporate Governance Code and The Turnbull Guidance in so far as they apply to further education, and has complied throughout the period ended 31st July 2022. It is also the opinion of the Board of Management that the College and the RSB comply with The Revised Code of Good Governance for Scotland's Colleges 2016, and it has complied throughout the said period. Further, the Financial Memorandum with the SFC also requires compliance with the Scottish Public Finance Manual (SPFM) and the governance guidance therein. In the opinion of the Board of Management, the SPFM has also been complied with for the period ended 31st July 2022. The Internal Audit Report on Corporate Governance presented to the Audit & Risk Committee on the 20th May 2019 was "strong".

A College's Board of Management is responsible for the organisation's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Lanarkshire Board is of a view that there is an ongoing process for identifying, evaluating and managing the significant risks that have been in place for the period covered by the Financial Statements and up to the date of the approval of the Financial Statements; said risks inter-alia being COVID-19, Financial and Operational Sustainability and the uncertain impact of Brexit. This process is regularly reviewed by the Lanarkshire Board. In respect of its strategic and development responsibilities, each year the Lanarkshire Board holds a meeting including the College Executive. The timing of the event is arranged to facilitate Board Members input to the Regional Strategic and Operational Plans.

The Regional Board of Management normally meets four times per annum and has several Committees: Audit & Risk, Finance, Resources & General Purposes, Curriculum, Student Affairs & Outcomes. The Remuneration, Nominations and the Chairs' Committees meet if and when needed. All Committees are formally constituted with terms of reference.

Finance Committees recommend to the Lanarkshire Board the annual revenue and capital budgets and monitors performance in relation to the approved budgets.

Statement of Corporate Governance and Internal Control (continued)

The Remuneration Committee determine the remuneration of the Principal and the Executive Board.

The Lanarkshire Board's Audit & Risk Committee normally meets four times per annum, with the external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the systems of internal control and management responses and implementation plans. It also receives and considers reports from the Scottish Funding Council (and other relevant bodies) as they affect the organisation's business and monitors adherence to the regulatory requirements.

The Lanarkshire Board Code of Good Governance (continued)

Whilst Senior Executives attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee and the Committee may, at any time, meet with the internal or external auditors independently.

The NCL Executive Board receive reports and consider possible control issues brought to their attention by early warning mechanisms embedded within the operational units. The Executive Board and the Audit & Risk Committee also receive reports from internal audit, which include recommendations for improvement. The Lanarkshire Board's Audit & Risk Committee's role in this area is confined to a high- level review of the arrangements for internal control. At the end of each Academic Year the Lanarkshire Board consider a report from the Audit & Risk Committee regarding its annual assessment.

The Board of Management is satisfied that it has adequate resources and financial support to continue in operation for the foreseeable future, for this reason the going concern basis continues to be adopted in the preparation of Financial Statements.

The total chargeable costs arising in relation to the Regional College Board for the Year Ended 31st July 2022 were £92k (2020/21 £85k). South Lanarkshire College was recharged £59k (2020/21 £71k). The Scottish Funding Council provided £nil (2021 £nil) to offset these costs.

Two Posts of the New College Lanarkshire Executive Board include a payment in relation to Regional duties.

No member of the New College Lanarkshire or South Lanarkshire College Executive Teams received any payment in relation to Regional duties, other than reimbursement of expenses.

COVID-19 Statement

The Lanarkshire Board moved all its Committees and Board meetings on-line from April 2020 and is now holding blended meetings of the Board and Committees which allows Board Members to either attend face to face or via Zoom. All scheduled meetings in 2021 and 2022 have been held and the business of the Board conducted as usual with additional meetings of the Committees and Board as required.

From a financial and operational perspective, the Colleges have managed to adapt to deliver courses for the students and have re-configured to deliver with a combination of on-line, blended learning and classroom learning.

The Board is aware of the potential continued impact of COVID-19 in terms of financial sustainability and operational performance, exacerbating an already very difficult fiscal environment, and notwithstanding the uncertainty of the impact of Brexit. This remains, therefore, an area of concern to the Board which is monitored through the Risk Register.

Ronnie Smith,
Chair of the Lanarkshire Board.

Professor Christopher Moore,
Principal and Chief Executive,
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.

Remuneration and Staff Report

Introduction

The Regional Strategic Body is required to prepare and publish within its financial statements an annual Remuneration Report under the Government Financial Reporting Manual (FReM) issued by the Scottish Government.

Remuneration Policy

The Board of Management has adopted the key principles and policies set out in the Guidance Note on the Operation of Remuneration Committees in Scottish Higher Education (Committee of Scottish Chairs August 2015).

Remuneration and Staff Report

The Regional Strategic Body takes the view that the Principal, Deputy Principal and members of the Executive Board of New College Lanarkshire and the Principal, Depute Principal and Acting Principals of South Lanarkshire College are the key salaried members of the Regional Strategic Body (RSB) with a strategic position within the organisation who influence the decisions of the RSB as a whole, and only they and any nonexecutive members of the Board of Management should be the subject of the Remuneration Report. Other than the Chair, none of the non-executive members of the Board of Management receives a salary or pension as a result of their position with the RSB, so only the Principals, the New College Lanarkshire Deputy Principal and Executive Board, the South Lanarkshire College Depute Principal and Chair of the RSB are shown below.

Remuneration and Staff Report (continued).

Remuneration

Name	Role
Ronnie Smith	Chair, Lanarkshire Board
Christopher Moore	Principal, NCL
Iain Clark	Chief Financial Officer
Ann Baxter	Deputy Principal
Jason Quinn	Chief Transformation Officer
James Martin	Assistant Principal
Matthew Smith	Chief Transformation Officer
Elaine Turkington	College Registrar
Aileen McKechnie	Principal, SLC

ACCOUNTABILITY REPORT (continued)

Stella McManus	Deputy Principal, SLC	95-100	15-20	115-120	95-100	15-20	115-120
Liz McIntyre	Acting Principal, SLC	100-105	20-25	120-125	95-100	20-25	115-120
Alan Sherry	Acting Principal, SLC	75-80	15-20	95-100	N/A	N/A	N/A
		75-80	0	75-80	N/A	N/A	N/A
		70-75	15-20	90-95	N/A	N/A	N/A
		70-75	10-15	90-95	N/A	N/A	N/A
		120-125	25-30	150-155	125-130	25-30	150-155
		85-90	20-25	110-115	55-60	10-15	65-70
		35-40	0	35-40	N/A	N/A	N/A
		40-45	0	40-45	N/A	N/A	N/A

Notes to remuneration table:

Year ended 31st July 2022			Year ended 31st July 2021		
Salary	Pension Contribution	Total	Salary	Pension Contribution	Total
£'000	£'000	£'000	£'000	£'000	£'000
25-30	0	25-30	25-30	0	25-30
130-135	30-35	160-165	130-135	30-35	160-165

- Jason Quinn was in post from 1st August 2021 until 7th January 2022. Matthew Smith was appointed as Acting Chief Transformation Officer on 6th January 2022 and accepted the position on a permanent basis on 18th March. The banding for this position is £75-80k salary, £15-20k pension, total £90-100k;
- Elaine Turkington was appointed as College Registrar on 29 Nov 2021. The banding for this position is £75-80k salary, £15-20k pension, total £90-100k;
- Liz McIntyre was Acting Principal from 16 December 2021 to 31 March 2022. Her full-time equivalent salary would be in the band £120-125k;
- Alan Sherry was appointed as Acting Principal and took up his position on 1 April 2022. His full-time equivalent salary would be in the band of £120-125k;
- Under restructure at NCL, the post of Vice Principal: Resources was removed from 1st August 2021;
- Iain Clark was appointed Chief Financial Officer on 2nd August 2021.
- Stella McManus started on 14th December 2020.

The Remuneration Committee of New College Lanarkshire determines the remuneration of the Principal and the Executive Board. The Remuneration Committee of South Lanarkshire College determines the salary of the Principal and the Senior Management Team.

Salary

Salary includes pensionable and non-pensionable payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties, employers' national insurance contributions or employers' pension contributions. In this report this is also referred to as remuneration.

Staff numbers and costs

	Year to July 2022		Year to July 2021	
	FTE	Total cost £'000	FTE	Total cost £'000
Staff on permanent contracts	1,166	54,573	1,153	52,138
Staff on temporary contracts	54	3,426	70	4,810
	1,220	**57,999**	**1,223**	**56,948**

Median Remuneration

The banded remuneration of the highest paid senior post holder in the Region in the financial year 2021/22 was £130k to £140k (2020/21 £130k to £140k annual equivalent). For employees taken as a whole, the percentage change from 2020/21 (£44,149) and 2021/22 (£46,861) was an increase of 6.14%.

Pay ratio information

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021-22	5.00:1	3.06:1	3.06:1
2020-21		3.13:1	

For 2021 the median pay was £42,357 therefore there was an approximate increase of 2.36% on the median salary point (equivalent of £1,000 consolidated pay award on all salaries). This is reflected in the reduction in median pay ratio as the band for the highest paid salary did not change.

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 the Local Government Pension Scheme (LGPS), both of which were contracted out of State Earnings-Related Pension Scheme until April 2016. Both STSS and LGPS converted from final salary to career average schemes, though providing protection for benefits built up prior to that date. This means that pension benefits going forward are based on average earnings over the term of membership of the scheme, accrued based on the number of years membership of the schemes. Pension benefits are provided to senior officials on the same basis as all other staff.

Remuneration and Staff Report (continued)

The STSS scheme operates a normal retirement age of 65, although members of the STSS who joined prior to 1st April 2007 have a preserved retirement age of 60 years. For the LGPS scheme, the normal retirement age is 65 years.

Contribution rates are set annually for all employees, and further details can be found on the respective websites at https://pensions.gov.scot/teachers and www.spfo.org.uk. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on career average pensionable salary and years of pensionable service.

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 currently in post are set out in the tables below.

Name	**Accrued pension at pension age at 31st July 2022** £'000	**Accrued lump sum at pension age at 31st July 2022** £'000	**Real increase in pension 1st August 2021 to 31st July 2022** £'000	**Real increase in lump sum 1st August 2021 to 31st July 2022** £'000
Christopher Moore	5-10	0-5	0-5	0-5
Iain Clark	30-35	90-95	0-5	0-5
Ann Baxter	30-35	101-105	0-5	0-5
Jason Quinn	20-25	15-20	0-5	0-5
Matthew Smith	20-25	60-65	0-5	0-5
Elaine Turkington	0-5	0-5	0-5	0-5
Aileen McKechnie	10-15	0-5	5-10	0-5
Stella McManus	0-5	0-5	0-5	0-5

Name	**CETV at 31st July 2022** £'000	**CETV at 31st July 2021** £'000	**Real increase in CETV*** £'000
Christopher Moore	91	56	17
Iain Clark	705	662	12
Ann Baxter	812	775	1
Jason Quinn	326	287	28
Matthew Smith	476	500	18
Elaine Turkington Aileen	14	0 63	9 104
McKechnie*	181		
Stella McManus	29	11	18

*As per SLC Financial Statements

Remuneration and Staff Report (continued)

These benefits have accrued over the duration of the employees' membership of the schemes in which time contributions may have been transferred from previous employers and by the employees themselves. While the Chair is remunerated through claiming daily allowances, he is not a member of a College pension scheme.

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 LGPS or STSS service and not just their current appointment.

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

- 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;
- 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 period.

Compensation for loss of office

of £1,145k (2020/21 £996k).

Remuneration and Staff Report (continued)

Exit package cost band	Number of compulsory redundancies	Number of other agreed departures (including any voluntary redundancies)	Total number of exit packages by cost band
<£10,000	Nil	3	3
£10,000 - £25,000	Nil	14	14
£25,000 - £50,000	Nil	23	23
£50,000 - £100,000	Nil	Nil	Nil
£100,000 - £150,000	Nil	Nil	Nil
£150,000 - £200,000	Nil	Nil	Nil
Total number of exit packages	Nil	40	40
	Nil	**£1,145k**	**£1,145k**

40 employees left under voluntary redundancy exit terms during the period July to December 2022 having legally agreed terms prior to 31st July 2022 (2020/21 18 employees). They received a compensation payment

Total cost

Remuneration and Staff Report (continued)

Sickness Absence and Staff Turnover

Sickness Absence and Staff Turnover figures exclude the Amcol Scotland Limited subsidiary.

Sickness

New College Lanarkshire

Session	% of Total absence	Total absence rate
2021/22		**4.54%**
Long-Term	74.7%	
Short-Term	25.3%	
2020/21		**2.33%**
Long-Term	75.00%	
Short-Term	25.00%	

South Lanarkshire College

% of Total absence	Total absence rate
	6.83%
79.42% 20.58%	
	4.29%
84.79% 15.22%	

Short-term absence at New College Lanarkshire is defined as 20 calendar days or less, while South Lanarkshire use a 15 working day definition. For this reason, a regional indicator has not been shown.

Turnover

Permanent turnover (including turnover at both New College Lanarkshire and South Lanarkshire College) was 5.23%.

Gender Breakdown at year end 31st July 2022

Gender	Headcount	FTE
F	872 (63.6%)	658 (62.2%)
M	500 (36.4%)	400 (37.8%)
Total	**1,372**	**1,058**

Gender Breakdown at year end 31st July 2021

Gender	Headcount	FTE
F	1,007 (67.4%)	822 (67.2%)

Remuneration and Staff Report (continued)

M	488 (32.6%)	401 (32.8%)
Total	**1,495**	**1,223**

Facility Time

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

Relevant Union Officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
20	1.62

Note that New College Lanarkshire now recognises three unions, EIS/FELA, UNISON and UNITE.

Percentage of time spent on facility time

Percentage:	Number of employees:
0%	NIL
1%-50%	20
51% - 99%	NIL
100%	NIL

Percentage of pay bill spent on facility time

Total cost of facility time:	£86k
Total pay bill:	£57,999k
Percentage of the total pay bill spent on facility time:	0.15%

Paid trade union activities

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

Employment of Disabled Persons

Remuneration and Staff Report (continued)

The RSB consider all applications for employment from disabled persons, and will interview all applicants declaring a disability who meet the minimum criteria for advertised posts. The RSB is a Committed Employer under the Disability Confident national scheme for employers. Where an existing employee becomes disabled, every effort is made to ensure that employment within the RSB continues.

Equalities/Social Responsibility

The RSB is committed to creating an inclusive and diverse pathway to learning which values partnership and promotes equality of opportunity. It recognises the need to be responsive and customer-focussed and aim to ensure that students and staff are treated with dignity, respect and equality. The RSB recognises the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief (including lack of belief), sex and sexual orientation. The RSB continues to meet its statutory obligations and responsibilities under The Equality Act 2010 and Scottish Specific Duties.

The RSB is committed to delivering Contracts that demonstrate and meet its sustainable objectives, driving through positive social, environmental and economic impacts wherever possible. The Colleges operate under the APUC Limited Supply Chain Code of Conduct which sets out its expected standards for its supply chain in social, ethical and environmental compliance, with contractors also being encouraged to sign up to the APUC Limited Supply Chain Code of Conduct to assist in achieving its objectives.

The RSB is committed to ensuring there is no modern slavery or human trafficking in our supply chains or in any part of our business. This reflects our commitment to acting ethically and with integrity in all our business relationships.

Health and Safety

The RSB accepts the legal duties of care as set out in the Health and Safety at Work etc., Act 1974 and all other relevant legislation and also our moral and ethical obligations, and the continuous improvement in the management of the health and safety risks to all stakeholders i.e. staff, learners, contractors and visitors. The RSB actively promotes "Healthy Working Lives" and promotes active use of the Occupational Health services on offer.

Data Protection Act 2018 and GDPR

New College Lanarkshire is registered as a Data Controller under the Data Protection Act 2018 (Registration Number Z9194349). The RSB has appointed an independent Data Protection Officer and engages these services via HEFESTIS Ltd {www.hefestis.ac.uk}

Professional Advisors

External Auditors	:	Mazars LLP
Internal Auditors	:	Wylie & Bisset

Remuneration and Staff Report (continued)

Bankers	:	The Royal Bank of Scotland
Solicitors	:	Clyde & Co, BTO

Independent auditor's report to the members of the Board of Management of New College Lanarkshire, 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 New College Lanarkshire and its group for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2022 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is six years. We are independent of the college and its group 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 and its group. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the college and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the college and its group;
- 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. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

David Hoose, for and on behalf of Mazars LLP
100 Queen Street
Glasgow G1 3DN

Date

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

CONSOLIDATED AND COLLEGE STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

Total Income		**79,076**	**57,019**	**75,418**	**53,339**
Expenditure					
Staff costs	7	57,999	41,594	56,948	40,802
Exceptional staff costs	7	6,001	4,838	5,245	4,367
Other operating expenses	8	15,549	12,110	13,619	10,427
Donation to charitable trust		500	-	-	-
Depreciation & amortisation	11	6,410	5,080	5,978	4,884
Asset impairment	11	-	-	61	61
Interest and other finance costs	9	461	368	527	415
Total expenditure		**86,920**	**63,990**	**82,378**	**60,956**
Surplus before other gains/(losses)		(7,844)	(6,971)	(6,960)	(7,617)
Gain/(loss) on disposal of fixed assets		-	-	-	-
(Deficit)/surplus before tax		(7,844)	(6,971)	(6,960)	(7,617)
Taxation	10	-	-	-	-
(Deficit)/surplus for the year		**(7,844)**	**(6,971)**	**(6,960)**	**(7,617)**
Unrealised surplus on revaluation of land and buildings	11	225	-	17,370	-
Actuarial gain/(loss) in respect of pension schemes		49,213	39,810	12,792	10,665
Total comprehensive income for the year		**41,594**	**32,839**	**23,202**	**3,048**

Represented by:

Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income for the year		41,594	32,839	23,202	3,048
		41,594	**32,839**	**23,202**	**3,048**

For the year ended 31st July 2022

	Note	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
Income					
SFC grants	2	63,315	47,737	58,396	43,072
Tuition fees and education contracts	3	9,335	6,016	9,038	5,729
Other income	4	6,420	3,263	7,983	4,538
Donations and endowments	5	2	2	-	-
Investment income	6	4	1	1	-

In accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, Bursary and Discretionary funds have been excluded from the income and expenditure account.

The Statement of Comprehensive Income is prepared under the FE/HE SORP.

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

	Income and Expenditure Account		Pension Reserve	Revaluation Reserve	Total
REGION	Restricted	Unrestricted			
	£'000	£'000	£'000	£'000	£'000

Balance at 1st August 2020	**3**	**24,698**	**(34,858)**	**61,829**	**51,672**

CONSOLIDATED AND COLLEGE STATEMENT OF CHANGES IN RESERVES

Surplus/(deficit) from the income and expenditure statement	-	(6,960)	-	-	(6,960)
Actuarial gain (loss) in respect of pension scheme	-	12,792	-	-	12,792
Pension liability	-	(8,025)	8,025	-	-
Transfer between revaluation and unrestricted reserve	-	886	-	(886)	-
Revaluation of land and buildings	-	-	-	17,370	17,370
		(1,307)	8,025	16,484	23,202
	3	23,390	(26,833)	78,313	74,873
Release of restricted capital funds spent in year	-	-	-	-	-
Total comprehensive income for the year	-				
Balance as 31st July 2021					
Surplus/(deficit) from the income and expenditure statement	-	(7,844)	-	-	(7,844)
Actuarial gain (loss) in respect of pension scheme	-	49,213	-	-	49,213
Pension liability	-	(43,890)	43,890	-	-
Transfer between revaluation and unrestricted reserve	-	2,018	-	(2,018)	-
	(1)				
	(1)	(503)	43,890	(1,793)	41,593
	2	22,888	17,057	76,520	116,467
Revaluation of land and buildings		-	-	225	225
Release of restricted capital funds spent in year		-	-	-	(1)
Total comprehensive income for the year					
Balance at 31st July 2022					

Surplus/(deficit) from the income and expenditure statement	-	(7,617)	-	-	(7,617)
Actuarial gain (loss) in respect of pension scheme	-	10,665	-	-	10,665
Pension liability	-	(6,879)	6,879	-	-
Transfer between revaluation and unrestricted reserve	-	884	-	(884)	-
Revaluation of land and buildings	-	-	-	-	-
Release of restricted capital funds spent in year	-	-	-	-	-
	Income and Expenditure Account		**Pension Reserve**	**Revaluation Reserve**	**Total**
COLLEGE	Restricted	Unrestricted			
	£'000	£'000	£'000	£'000	£'000
Balance at 31st July 2020	**3**	**18,927**	**(27,964)**	**54,544**	**45,510**
Total comprehensive income for the year	-	(2,947)	6,879	(884)	3,048
	3	15,980	(21,085)	53,660	48,558
Balance at 31st July 2021					

Surplus/(deficit) from the income and expenditure statement	-	(6,971)	-	-	(6,971)
Actuarial gain (loss) in respect of pension scheme	-	39,810	-	-	39,810
Pension (asset) liability	-	(35,751)	35,751	-	-
Transfer between revaluation and unrestricted reserve	-	2,018	-	(2,018)	-
Revaluation of land and buildings	-	-	-	-	-
Release of restricted capital funds spent in year	(1)	-	-	-	(1)
Total comprehensive income for the year	(1)	(894)	35,751	(2,018)	32,838
Balance at 31st July 2022	**2**	**15,087**	**14,666**	**51,642**	**81,397**

CONSOLIDATED AND COLLEGE BALANCE SHEET
as at 31st July 2022

	Note	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
Non-current assets					
			84		694
			132,301		136,574
Fixed Assets	11	184,332	132,217	188,229	135,880
Assets in Course of Construction		84		694	
Current assets					
Stock		18	10	11	3
Trade and Other Receivables	13	6,544	4,630	5,371	3,649
Cash and Cash Equivalents	19	10,995	5,561	14,347	9,482
		17,557	10,201	19,729	13,134
Pension Asset		17,057	14,666	-	-
		34,614	24,867	19,729	13,134
Creditors: Amounts falling due within one year	14	22,862	19,370	23,052	19,371
Net Current Liabilities		(5,305)	(9,169)	(3,323)	(6,237)
Total Assets less Current Liabilities		196,168	137,798	185,600	130,337
Net Assets excluding Pension Asset (Liability)		117,834	82,364	103,087	70,580
Less: Creditors: Amounts falling due after one year	15	78,334	55,434	82,513	59,757

Early Retirement Pensions	16	1,367	967	1,381	937
Pension Liability		-	-	26,833	21,085
		184,416		188,923	
Total Reserves		116,467	81,397	74,873	48,558

The financial statements on pages 59 to 93 were approved by the Board of Management and signed on its behalf by:

Reserves					
Income and Expenditure Reserve – restricted	18	2	2	3	3
Income and Expenditure Reserve – unrestricted		22,888	15,087	23,390	15,980
Revaluation Reserve		76,520	51,642	78,313	53,660
Pension Reserve		17,057	14,666	(26,833)	(21,085)
		1,367	967	28,214	22,022
Total Net Assets		116,467	81,397	74,873	48,558

Ronnie Smith,
Chair of the Lanarkshire Board.

Professor Christopher Moore,
Principal and Chief Executive,
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2022	2021
		£'000	£'000
Net cash inflow from operating activities			
(Deficit)/surplus for the financial year		(7,844)	(6,960)
Adjustment for non-cash items			
Depreciation	11	6,410	6,039
Deferred grant release	17	(4,822)	(3,871)
(Increase)/decrease in stock		(7)	(3)
Decrease/(increase) in debtors	13	(1,190)	(585)
Increase/(decrease) in creditors	14,15	(1,207)	7,589
Increase/(decrease) in provisions	16	(2)	(161)
Pension costs – FRS 102	7,24	4,856	4,249

Net return on pension liability – FRS102	9,24	455	523
Adjustment for investing or financing activities			
Interest received	6	(4)	(1)
Interest paid	9	6	4
Net cash generated from operating activities		(3,349)	6,823
Cash flows from investing activities			
Interest received		4	1
Payments made to acquire tangible fixed assets	11	(1,678)	(3,348)
		(1,674)	(3,347)
Cash flows from financing activities			
Interest paid		(6)	(4)
Capital grant funding in respect of capital expenditure	17	1,678	3,233
Repayment of bank loan		-	-
Distribution of restricted fund (J A Cuthbertson Trust)		(1)	-

for the year ended 31st July 2022

Net cash flow from financing activities		1,671	3,229
Net (decrease)/increase in cash and cash equivalents		(3,352)	6,705
Cash and cash equivalents at the beginning of the year	19	14,347	7,642
Cash and cash equivalents at the end of the year	19	**10,995**	**14,347**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

1. ACCOUNTING POLICIES

1.01 Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standard (FRS) 102. They conform to the Accounts Direction issued by the Scottish Funding Council (SFC) on 19th July 2022 and to the accompanying 2021/22 detailed guidance notes and to direction under the Charities and Trustees Investment (Scotland) Act 2005, and Regulation 14 of The Charities Accounts (Scotland) Regulations 2006. The Colleges are public benefit entities and therefore have applied the relevant public benefit requirements of FRS102. The Consolidated Statement of Income and Expenditure is in respect of continuing activities.

1.02 Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets, the going concern concept and the accruals basis.

1.03 Basis of Consolidation

These financial statements combine the consolidated results for New College Lanarkshire and South Lanarkshire College; South Lanarkshire College being assigned to New College Lanarkshire under the Lanarkshire Order. In addition, New College Lanarkshire Board of Management wholly owns Amcol Scotland Limited. Newly acquired subsidiary undertakings are included in the consolidated accounts from the date of acquisition. Intra-group sales and profits are eliminated fully on consolidation. The Colleges have no Students' Unions.

1.04 Recognition of Income

The main annual recurrent allocation from SFC, which is intended to meet recurrent costs, is credited directly to the Consolidated Statement of Comprehensive Income and Expenditure evenly over the year in which it is received.

Tuition fees are credited to the Consolidated Statement of Comprehensive Income and Expenditure in the year in which they are earned.

The Colleges operate a 'fee waiver' policy that provides free access to education to students where they have additional support needs or they are, or their partner is, receiving a form of recognised benefit. Fee waiver funding is received from SFC on an annual recurrent basis.

Government revenue grants are recognised in income over the periods in which the Colleges recognise 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.

1.04 Recognition of Income (continued)

Grants from non-government sources are recognised in income when the Colleges are entitled to the income and performance related conditions have been met. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income received in advance of performance related conditions being met is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Capital grants from government sources are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the Colleges are entitled to the funds subject to any performance related conditions being met.

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

Income of a revenue nature from European Structural Funds comprising European Social Funds and European Regional Development Funds is accounted for in the Consolidated Statement of Income and Expenditure to the extent that its recovery is expected with reasonable certainty and where the project has been approved prior to the financial year end and claims made or outstanding relate to the financial year.

For Bursary, Discretionary and EMA Funds, the grants are excluded from the Consolidated Statement of Income and Expenditure as these grants are available solely for students, with the Colleges acting as paying agent. Childcare funds are included in the Consolidated Statement of Income and Expenditure.

1.05 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 Consolidated Statement of Income and Expenditure (SOCIE) at the point when the Colleges are 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 Colleges are 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

1.06 Pensions

Retirement benefits to College employees are provided by the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pensions Fund (SPF Scheme). These are defined benefit schemes which are externally funded and were contracted out of the State Earnings Related Pension Scheme up to April 2016.

STSS

The Colleges participate in the STSS pension scheme providing benefits based on career average pensionable salary since April 2016 with protection for benefits built up prior to that date. The assets of the scheme are held separately from those of the Colleges. The Colleges are unable to identify their share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by paragraph 28.11 of FRS 102, account for the scheme as if it were a defined contribution scheme.

As a result, the amount charged to the Consolidated Statement of Income and Expenditure represents the contributions payable to the scheme in respect of the year, and actuarial losses and gains previously only recognised through reserves.

In the event of staff taking early retirement, the full liability to the Colleges is calculated and charged to the Consolidated Statement of Income and Expenditure in the year of retiral, with a corresponding provision being established in the Balance Sheet.

SPF

The contributions are determined by an actuary on the basis of determined periodic valuations. The amount charged to the Consolidated Statement of Income and Expenditure represents the service cost expected to arise from employee service in the current year, and actuarial losses and gains previously only recognised through reserves.

1.07 Taxation

Both Colleges and the subsidiary company have been registered in the Scottish Charity Register and as such are "charities" within the meaning of section 13 (1) of the Charities and Trustee Investment (Scotland) Act 2005. The Colleges and the subsidiary are recognised as charities by HM Revenue & Customs. They are therefore charities within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly they are potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Colleges receive no similar exemption in respect of Value Added Tax. The Colleges are exempted from levying VAT on most of the services they provide to students. For this reason, the Colleges are generally unable to recover the input VAT they suffer on goods and services purchased.

The subsidiary is not registered for VAT as the business activities are exempt.

1.08 Tangible Fixed Assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE/HE SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

a) Land and Buildings

Land and buildings are measured using the revaluation model. Under the revaluation model assets are revalued to fair value. New College Lanarkshire and Amcol carry out a full revaluation at least every 5 years, with an interim desktop revaluation during the 5 years, such that the market value is not materially different to the current value. South Lanarkshire College carry out a full revaluation every three years. Depreciation and impairment losses are subsequently charged on the revalued amounts.

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

Feuhold land associated with the buildings and undeveloped feuhold land are not depreciated as they are considered to have indefinite lives. Feuhold buildings are depreciated over the remaining useful economic life to the Colleges from the previous revaluation date on a straight-line basis, based on the revalued amount.

No depreciation is charged on assets in the course of construction.

b) Plant and Equipment

For College accounts, single items of plant and equipment costing less than £10,000 are written off to the Consolidated Statement of Income and Expenditure in the year of purchase. This figure is £1,000 for the subsidiary. However, as part of the uniform Group accounting policies review, the impact upon the accounts is immaterial.
Assets of a lesser value may be capitalised where they form part of a group of similar assets purchased in the same year and costing over £10,000 in total. Capitalised equipment is depreciated over its useful economic life ranging from between 3 and 10 years on a straight-line basis. Depreciation, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

The cost of long-term and routine corrective maintenance is charged to the Consolidated Statement of Income and Expenditure as it is incurred.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

1.09 Leased Assets

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 minimum lease term.

Leasing agreements, which transfer to the Colleges substantially all the risks and rewards of ownership of an asset, are treated as if the asset had been purchased outright.

1.09 Leased Assets (continued)

The assets are included in fixed assets and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.10 Depreciation

Depreciation is provided at the following rates:

Land and buildings	1% - 10%	Straight Line
Short leasehold	5%	Straight Line
Plant, equipment and vehicles	4% - 33%	Straight Line

College buildings are depreciated using rates determined by component accounting exercises.

Land is not depreciated unless there is a permanent diminution in its value.

No depreciation is charged on assets under construction, until such time as they are brought into use.

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

1.11 Investments

The investment in the subsidiary company is held as a fixed asset, and stated at the lower of cost and market value.

1.12 Cash and cash equivalents

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

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.

1.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

a) The Colleges have 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 pretax rate that reflects risks specific to the liability.

1.13 Provisions, Contingent Liabilities and Contingent Assets (continued)

A contingent liability arises from a past event that gives the Colleges 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 Colleges. 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 Colleges 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 Colleges.

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

1.14 Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

2. SCOTTISH FUNDING COUNCIL GRANTS

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
SFC FE Recurrent Grant (including fee waiver)	52,283	38,816	49,212	35,701
Childcare grant	2,021	1,628	1,989	1,579
Sustainability grant	-	-	1,475	1,096
Other SFC grants	4,719	3,678	2,126	1,792
Release of deferred SFC capital grants	4,292	3,615	3,594	2,904
	63,315	**47,737**	**58,396**	**43,072**

3. TUITION FEES AND EDUCATION CONTRACTS

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
FE Fees – UK	2,318	738	1,644	486
FE Fees – Non-EU	9	9	7	7
HE Fees	4,062	3,007	4,916	3,503
SDS contracts	698	214	831	277
Other contracts	2,248	2,048	1,640	1,456
	9,335	**6,016**	**9,038**	**5,729**

4. OTHER INCOME

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
European funds	409	409	6	6
Other grant income	80	80	86	86
Government Grant income (HMRC, JRS grant)	59	40	2,132	1,789
Other revenue grants	117	37	99	53
Residences and Catering	473	473	137	137
Other income generating activities	-	-	-	-
Insurance income	-	-	1,000	1,000
Other income	834	1,038	599	580
Other income – Nurseries	3,918	755	3,648	721
Release of deferred capital grants	530	431	276	166
	6,420	**3,263**	**7,983**	**4,538**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

Donations with restrictions	2	2	-	-	**5.** **D**
Unrestricted donations	-	-	-	-	**O**
	2	**2**	**-**	**-**	**N**

ATIONS

£18k was donated to the NCL Foundation. £16k has been retained for future expenditure.

6. INVESTMENT INCOME

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
	4	1	1	-
	4	**1**	**1**	**-**

Net return on deposits and bank balance

7. STAFF COSTS

7.01 Staff Numbers:

The average number of persons (including senior post holders) employed by the Region during the year, expressed as full-time equivalents was:

	2022	2021
Teaching staff	597	609
Teaching support	127	127
Administration and Central Services	247	247
Premises	76	63
Catering and Residences	28	28
Other College expenditure	7	7
Nursery (Subsidiary)	138	142
Total	**1,220**	**1,223**
Analysed as:		
Staff on permanent contracts	1,166	1,153
Staff on temporary contracts	54	70
Total	**1,220**	**1,223**

7.02 Staff Costs for the above persons:

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
Salaries and related pay costs:				
Wages and salaries	45,095	31,957	44,507	31,503
Social security costs	4,613	3,422	4,430	3,305
Other pension costs	8,291	6,215	8,011	5,994
Total	**57,999**	**41,594**	**56,948**	**40,802**

7.02 Staff Costs for the above persons (continued)

	2022 £'000	2021 £'000
Region details being:		
Teaching staff	33,285	33,279
Teaching support	5,457	5,079
Administration and Central Services	12,993	12,793
Premises	2,405	1,888
Catering and Residences	762	738
Other College expenditure	254	245
Nursery	2,843	2,926
	57,999	56,948
Cost of voluntary severance	1,145	996
Pension fund adjustments	4,856	4,249
Gross Staff Costs	**64,000**	**62,193**

	2022 £'000	2021 £'000
Staff on permanent contracts	54,573	52,138
Staff on temporary contracts	3,426	4,810
Total	57,999	56,948
Exceptional staff costs	6,001	5,245
Gross Staff Costs	**64,000**	**62,193**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

The Chair of the Board of Management received a payment in the range £30,000 to £35,000 (2021 £20,000 to £25,000) for time spent on Regional business. The members of the Board of Management other than the Chair, the Principals and staff members did not receive any payment from the Colleges other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Overseas Travel

The cost of overseas trips undertaken by College staff in the year was £11k (2021 £Nil). These were all funded via European funded staff programmes.

7.03 Higher paid members of staff

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

	2022 Number	2021 Number
£60,001 to £70,000	7	10
£70,001 to £80,000	6	8
£80,001 to £90,000	1	-
£90,001 to £100,000	1	1
£100,001 to £110,000	1	1
£110,001 to £120,000	-	-
£120,001 to £130,000	1	1
£130,001 to £140,000	1	1
£140,001 to £150,000	-	-

All higher paid staff members are ordinary members of the appropriate pension scheme and employer's College contributions are paid at the same rate as for other members of staff.

7.04 Senior postholders' emoluments

	Number	Number
The number of senior post-holders, including the Principals was:	**18**	**22**

Senior post-holders are defined as any member of staff whose total annual emoluments excluding pension

	2022 £'000	2021 £'000
Senior postholders' emoluments are made up as follows:		
Salaries	1,599	1,717
Pension contributions	304	359
	1,903	**2,076**

NOTES TO THE FINANCIAL STATEMENTS for
the year ended 31st July 2022

contributions and employers' national insurance exceeds £60,000.

The above emoluments include amounts payable to the Principals, who are the highest paid senior postholders in each College.

	2022	2021
	£'000	£'000
Remuneration:		
New College Lanarkshire Principal	133	132
South Lanarkshire College Principals (2 individuals)	204	125
	337	**257**
Pension Contributions:		
New College Lanarkshire Principal	31	30
South Lanarkshire College Principals (2 individuals)	29	29
	60	**59**

7.04 Senior post-holders' emoluments (continued)

The Principals are both ordinary members of the Scottish Teachers' Superannuation Scheme. The Colleges' contribution to the scheme is paid at the same percentage rate as for other members of academic staff. Neither of the Acting Principals were a member of the Scheme and no pension contributions were paid by the College.

The Principals and 11 other senior post-holders were members of the Scottish Public Pensions Agency and another 5 senior post-holders were members of the Local Government Pension Scheme. All pension contributions were paid at the same rate as for other members of staff.

8. ANALYSIS OF OTHER OPERATING EXPENSES BY ACTIVITY

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Teaching activities	2,787	1,674	1,895	933
Childcare	2,061	1,665	2,062	1,755
Catering and Residences	284	284	75	75
Premises	4,859	3,820	4,421	3,391
Administration and Central Services	4,796	4,236	4,538	3,728
Nursery	36	36	31	31
Agency staff cost	214	79	141	25
Other expenses	511	316	456	489
	15,548	**12,110**	**13,619**	**10,427**

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Auditor's remuneration (including irrecoverable VAT):				

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

External audit	89	60	75	56
Internal audit	51	27	64	27
Other services provided by:				
External audit	12	-	11	-
Internal audit	-	-	-	-
Hire of other assets under operating leases:				
Property	120	40	120	40
Equipment	128	53	148	50

9. INTEREST PAYABLE

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
Pension costs (note 24)	455	366	523	415
Other interest payable	6	2	4	-
	461	**368**	**527**	**41**

10. TAXATION

The Board of Management does not believe that the Regional Strategic Body was liable for any corporation tax arising out of its activities during the period.

11. FIXED ASSETS

FIXED ASSETS – REGION

COST	**Land & Buildings** £'000	**Short Leasehold** £'000	**Plant, Equipment and Vehicles** £'000	**Total** £'000
				-
	193,166	**114**	**10,049**	**203,329**
As at 1st August 2021	191,339	114	9,458	200,911
Additions	1,697	-	591	2,288
Revaluation	130	-	-	130
Impairment	-	-	-	
As at 31st July 2022				

DEPRECIATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

As at 1st August 2021	4,742	57	7,883	12,682
Provided during period Revaluation	5,801	6	603	6,410
	(95)	-	-	(95)
Impairment	-	-	-	-
As at 31st July 2022	**10,448**	**63**	**8,486**	**18,997**
NET BOOK VALUE				
As at 31st July 2022	**182,718**	**51**	**1,563**	**184,332**
As at 1st August 2021	**186,597**	**57**	**1,575**	**188,229**

Included in Land and Buildings is land at a value of £4,000k which is not depreciated.

New College Lanarkshire properties were revalued by Ryden LLP at 31st August 2020 using depreciated replacement cost.

South Lanarkshire College properties were revalued by Ryden LLP at 31st July 2021 using depreciated replacement cost.

Amcol Scotland Limited properties were revalued using market values by Whyte & Barrie at 12th August 2022.

The net book value of Plant, Equipment and Vehicles includes an amount of £Nil (2021: £Nil) in respect of assets held under finance leases and hire purchase contracts.

11. FIXED ASSETS (continued)

FIXED ASSETS - COLLEGE

	Land & Buildings	Plant, Equipment and Vehicles	Total
COST OR VALUATION	£'000	£'000	£'000
As at 1st Aug 2021	139,921	4,709	144,630
Additions	999	418	1,417
Revaluation	- -	- -	- -
Impairment			
As at 31st July 2022	**140,920**	**5,127**	**146,047**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

DEPRECIATION				
As at 1st Aug 2021	4,666	4,084	8,750	
Provided during period Revaluation	4,834	246	5,080	
Impairment	-	-	-	
	-	-	-	
As at 31st July 2022	**9,500**	**4,330**	**13,830**	
NET BOOK VALUE				
As at 31st July 2022	**131,420**	**797**	**132,217**	
	135,255	**625**	**135,880**	**As at 1st Aug 2021**

ASSETS IN THE COURSE OF CONSTRUCTION (REGION AND COLLEGE)	**Land & Buildings**	**Plant, Equipment and Vehicles**	**Total**	
COST OR VALUATION	£'000	£'000	£'000	**As at 31st July 2022**
As at 1st August 2021	677	17	694	**As at 31st July 2021**
Additions	66	-	66	
Transfer to Assets	(676)	-	(676)	
	67	**17**	**84**	
	677	**17**	**694**	
DEPRECIATION				
As at 1st August 2021	-	-	-	
Provided during period	-	-	-	
As at 31st July 2022	**-**	**-**		
Net Book Value	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

As at 31st July 2022	**67**	**17**	**84**
As at 1st August 2021	**677**	**17**	**694**

Land and Buildings Assets in the Course of Construction relate to a programme of Very High Priority Maintenance, College wide. These assets are not depreciated until fully capitalised.

12. INVESTMENTS

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Investment in subsidiary	-	-	-	-

On 31st December 2008, 100% of the share capital of Amcol Scotland Limited at 10,000 £1.00 shares was transferred to Motherwell College for nil consideration. The shares were subsequently transferred to New College Lanarkshire upon legal formation. In the year to 31st July 2022, Amcol Scotland Limited made a surplus of £331k on a turnover of £3,389k net of intercompany transactions, and had net assets of £2,716k. The principal trading activity of the subsidiary is the Provision of Nursery Education.

13. TRADE AND OTHER RECEIVABLES

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade receivables	179	200	450	131
Other receivables	14	-	13	-
Prepayments and accrued income	6,125	4,430	4,395	3,384
SFC loan funding	-	-	-	-
European funding	226	-	513	134
	6,544	**4,630**	**5,371**	**3,649**

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	-	-	-
Trade payables	522	486	596	486
Social security and other taxation payable	1,389	1,354	921	921
Accruals and deferred income	8,791	6,618	9,080	7,263
Deferred income – restricted	1,153	968	1,825	1,425
Bursaries and Access funds for future disbursement	2,411	2,260	3,847	3,397

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

Deferred capital grants (note 17)	4,917	4,158	3,883	3,075
Subsidiary loan	-	-	-	-
Other creditors	3,679	3,526	2,900	2,804
	22,862	**19,370**	**23,052**	**19,371**

SFC make non-recurrent grants to the Colleges 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 MORE THAN ONE YEAR

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Deferred capital grants (note 17)	78,334	55,434	82,513	59,757
As at 31st July 2022	**78,334**	**55,434**	**82,513**	**59,757**

16. PROVISIONS FOR LIABILITIES AND CHARGES

REGION

Early Retirement Pension Provision	£'000	£'000
As at 1st August 2021	**1,381**	**1,537**
Payments made during the year	(92)	(97)
Revaluation adjustment	78	(59)
As at 31st July 2022	**1,367**	**1,381**

COLLEGE

Early Retirement Pension Provision	£'000	£'000
As at 1st August 2021	**937**	**1,065**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

Payments made during the year	(60)	(64)
Revaluation adjustment	90	(64)
As at 31st July 2022	**967**	**937**

The STSS pension provision is in respect of future pension liabilities arising from early retirals in prior years. The pension liability has been revalued using actuarial tables supplied by SFC. The net interest rate applied was 0% (2021: 0%).

New College Lanarkshire use Hymans Robertson to actuarially compute their SPF Scheme liability and account for this as part of the Pension Liability in note 24. South Lanarkshire College have fewer Early Retirement Provisions and accordingly perform their own accrual computations and report this liability separately along with Provisions for the STSS.

17. DEFERRED CAPITAL GRANTS

REGION	**SFC**	**ESF**	**Other**	**Total**	
	£'000	£'000	£'000	£'000	
As at 1st August 2021					
				1,333	
				86,396	
Land and buildings	78,671	5,535	857	85,063	
Equipment	1,252	81	-		
Cash Received					
Land and buildings	1,088	-	-	1,088	Equipmen t
Equipment	239	305	46	590	
Grants Released					
Land and buildings	(4,078)	(442)	(25)	(4,545)	
Equipment	(214)	(58)	(5)	(277)	
As at 31st July 2022	**76,958**	**5,421**	**873**	**83,252**	
Being:					
Land and buildings	75,681	5,093	832	81,606	
Due within one year	4,394	489	34	4,917	
Due after more than one year	72,564	4,932	839	78,334	

COLLEGE	**SFC**	**ESF**	**Other**	**Total**
	£'000	£'000	£'000	£'000
As at 1st August 2021				

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

Land and buildings	60,089	1,337	857	62,283	
	60,557	1,418	857	62,832	Equipment
Cash Received					
Land and buildings	389	-	-	389	
Equipment	66	305	46	417	
Grants Released					
Land and buildings	(3,401)	(343)	(25)	(3,769)	
Equipment	(214)	(58)	(5)	(277)	
As at 31st July 2022	**57,397**	**1,322**	**873**	**59,592**	
Being:					
Land and buildings	57,077	994	832	58,903	
Equipment	320	328	41	689	
	57,397	**1,322**	**873**	**59,592**	
Due within one year	3,734	390	34	4,158	
Due after more than one year	53,663	932	839	55,434	

18. RESTRICTED RESERVES (REGION AND COLLEGE)

	2022	2021
	£'000	£'000
As at 1st August 2021	**3**	**3**
Add: Grant received	-	-
Less: Grant disbursed to students during year	(1)	-
As at 31st July 2022		**2**

3

Grants received by New College Lanarkshire for the James A. Cuthbertson's Trust Prizes Fund remain to be disbursed at year end. This trust provides for a prize for the best male and female students on day release courses for technical apprentices in Engineering.

19. CASH AND CASH EQUIVALENTS

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents	14,347	9,482	7,642	4,753
Overdrafts	-	-	-	-
As at 1st August 2021	**14,347**	**9,482**	**7,642**	**4,753**
Cash flows	(3,352)	(3,921)	6,705	4,729

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

Cash and cash equivalents	10,995	5,561	14,347	9,482
Overdrafts	-	-	-	-
As at 31st July 2022	**10,995**	**5,561**	**14,347**	**9,482**
Being:				
College funds	5,914	2,286	9,332	5,859
Student Support funds	3,275	3,275	3,623	3,623
Nursery	1,806	-	1,392	-
	10,995	**5,561**	**14,347**	**9,482**

20. CAPITAL AND OTHER COMMITMENTS

At 31st July 2022 the Region (and College) had £100k in capital commitments (2021: £181k) in relation to cross campus Estates Capital and Very High Priority Maintenance projects.

21. CONTINGENT LIABILITIES

The College is engaged in a contractual dispute relating to construction aspects of the main teaching block and residence block of the Motherwell Campus, most significantly the failure of the cladding system of the main teaching block.

The College has lodged legal proceedings in the Court system as a protective measure.

At this juncture, it is difficult to determine any exposure to liability or measure any liability whether full or partial. This is in relation to any renewal, repair or reconstruction of the cladding system.

22. LEASE OBLIGATIONS

The net operating lease obligations are:

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
Land and buildings				
One year or less	117	37	117	37
Over one and under five years	322	-	322	-
Over five years	322	-	402	-
	761	37	841	3
Office equipment				
One year or less	113	53	81	54
Over one and under five years	62	9	63	63
Over five years	-	-	-	-

175	62	144	11

23. POST BALANCE SHEET EVENTS

There are no Post Balance Sheet Events of financial significance or financial materiality to note.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24.

PENSION SCHEMES

The Colleges' employees belong to one of two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF) scheme, which are of the defined benefit type. The STSS is a notional fund and there are specific regulations regarding the basis on which the actuarial valuation should be carried out. The assets of the SPF scheme are held in a separate, trusteeadministered fund.

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Total Pension Cost for the Year				
Teachers' Pension Scheme: Contributions paid	5,759	4,300	5,503	4,085
Local Government Pension Scheme:				
Contributions paid	2,452	1,878	2,432	1,873
Contributions paid (unfunded)	45	45	46	46
Pension fund adjustment	3,693	3,693	3,371	3,371
Charge to the Statement of Comprehensive Income	6,190	5,616	5,849	5,290
Total Pension Cost for Year within staff costs	11,949	9,916	11,352	9,375

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest published formal actuarial valuation of the STSS was 31st March 2016 and of the SPF 31st March 2017.

Contributions amounting to £924k (2021 £773k) for the Region, £924k (2021 £773k) for the College, were payable to the schemes at 31st July and are included within creditors.

Scottish Teachers Superannuation Scheme (STSS)

The Scottish Teachers Superannuation Scheme is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme (Scotland) Regulations 2014. These regulations apply to teachers in schools and other educational establishments in Scotland that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers, and from 1st January 2007 automatic for teachers and lecturers in parttime employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the STSS.

The Teachers' Pension Budgeting and Valuation Account

24. PENSION SCHEMES (continued)

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds, provided by Parliament.

The STSS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pension Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1st April 2001 the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest published actuarial review of the STPS was carried out as at 31st March 2016 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014, as amended, completed on 18th February 2019. The key results of the valuation are:

- The employer contribution rate was set at 23% from 1st September 2019; it was previously 17.2% of pensionable pay. 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 1st April 2019 although the increase was not implemented until 1st September 2019. This contribution is included in the 23% employers' contribution rate;

A full copy of the valuation report and supporting documentation can be found on the Scottish Public Pensions Agency website at the following location:

https://pensions.gov.scot/teachers/employers/pension-contribution-rates/valuations

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultation with trade unions and other representative bodies on reform of the STSS, the Scottish Government published a Framework Document setting out the design for a reformed STSS to be implemented from 1st April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly pension benefits built up before 1st April 2015 will be fully protected.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24. PENSION SCHEMES (continued)

Scheme Changes (continued)

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1st April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a-half-year period, for people who would fall up to three and a half years outside of the 10-year protection

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1st April 2014 and the reformed scheme commenced on 1st April 2015.

The pension costs paid to STSS in the year amounted to £8,000k for the Region (2021 £7,870k), £5,919k (2021 £5,840k) for the College. The employer's contributions totalled £5,634k (College £4,175k) and employees' contributions totalled £2,366k (College £1,744k).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the STSS is a multi-employer pension plan. The Colleges are unable to identify their share of the underlying assets and liabilities of the plan.

Accordingly, the Colleges have taken advantage of the exemption in FRS102 and have accounted for their contributions to the scheme as if it were a defined-contribution plan. The Colleges have set out above the information available for the plan and the implications for the Colleges in terms of the anticipated contribution rates.

Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014.

The total contributions made for the year ended 31st July 2022 were £3,292k (2021 £3,192k) for the Region, £2,561k (2021 £2,464k) for the College. The employer's contributions totalled £2,508k (College £1,948k) and employees' contributions totalled £784k (College £613k). The agreed contribution rates for future years are 19.3% for employers and range from 5.5% to 11.9% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31st March 2017 updated to 31st July 2022 by a qualified independent actuary.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24. PENSION SCHEMES (continued)

	31st July 2022	31st July 2021
Rate of increase in salaries	3.45%	3.55%
Future pension increases	2.75%	2.85%
Discount rate for scheme liabilities	3.5%	1.6%
Inflation assumption	2.75%	2.85%

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

Life expectancy is based on the Fund's VitaCurves, with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	At 31st July 2022	At 31st July 2021
	Years	Years
Current Pensioners		
Males	19.6	19.8
Females	22.4	22.6
Future Pensioners		
Males	21.0	21.2
Females	24.5	24.7

The Region and College's share of the assets in the plan at the balance sheet date and the expected rates of return were as follows. The expected rate of return is set equal to the discount rate as per FRS102 disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24. PENSION SCHEMES (continued)

	Estimated split of assets at 31st July 2022	Region fair value at 31st July 2022	College fair value at 31st July 2022	Estimated split of assets at 31st July 2021	Region fair value at 31st July 2021	College fair value at 31st July 2021
	%	£'000	£'000	%	£'000	£'000
Equity instruments	60%	60,945	49,893	66%	65,285	53,544
Debt instruments	27%	27,425	22,452	24%	23,740	19,471
Property	11%	11,173	9,147	9%	8,903	7,302
Cash	2%	2,031	1,663	1%	989	812
Total fair value of plan		**101,574**	**83,155**		**98,917**	**81,129**
Weighted average expected long term rate of return	35%			1.6%		
Actual return on plan assets		**1,003**	**822**		**18,200**	**14,979**

assets

The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced pensions benefits is as follows:

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Fair value of plan assets	101,574	83,155	98,917	81,129
Present value of plan liabilities	(84,148)	(68,120)	(125,306)	(101,770)
Present value of unfunded liabilities	(369)	(369)	(444)	(444)
Net pensions asset/(liability)	**17,057**	**14,666**	**(26,833)**	**(21,085)**

As the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has recorded a notional surplus and therefore the Colleges are showing a pension asset in the balance sheet as at 31 July 2022. The Colleges consider that they will be able to recover the surplus either through reduced contributions in the future or through refunds from the plan, and therefore the surplus has been recognised in these financial statements in line with the requirements of FRS102.

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	Region 2022	College 2022	Region 2021	College 2021

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24. PENSION SCHEMES (continued)

	£'000	£'000	£'000	£'000
Amounts included in staff costs				
Current service cost	7,339	5,616	6,715	5,290
Past service cost	-	-	-	-
Total	**7,339**	**5,616**	**6,715**	**5,290**
Amounts included in interest payable				
Net interest (cost)	(467)	(366)	(518)	(415)
Total	**(467)**	**(366)**	**(518)**	**(415)**
Amount recognised in other comprehensive income				
Return on pension plan assets	(592)	(485)	17,046	14,029
Changes in demographic assumptions	531	430	2,859	2,408
Experience losses arising on defined benefit obligations	(206)	(161)	3,679	2,907
Changes in assumptions underlying the present value of plan liabilities	49,480	40,026	(10,792)	(8,679)
	49,213	**39,810**	**12,792**	**10,665**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24. PENSION SCHEMES (continued)

Movement in Net Defined Benefit (Liability) in Scheme

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Net defined liability in scheme at 1st August 2021	(26,833)	(21,085)	(34,858)	(27,964)
Movement in year:				
Current and past service cost	(7,339)	(5,616)	(6,725)	(5,290)
Employer contributions	2,438	1,878	2,430	1,873
Contributions in respect of unfunded benefits	45	45	46	46
Net interest on the defined liability	(467)	(366)	(518)	(415)
Actuarial gain or loss	49,213	39,810	12,792	10,665
Net defined liability at 31st July 2022	**17,057**	**14,666**	**(26,833)**	**(21,085)**

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 1st 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%,

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24. PENSION SCHEMES (continued)

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 10th June 2019.

McCloud Ruling (continued)

The Strathclyde Pension Fund's actuary has previously 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 within the 31st July 2020 disclosures) of £906k for New College Lanarkshire and £227k for South Lanarkshire College. No further adjustment was made for the McCloud ruling in the 31st July 2022 disclosures.

The McCloud allowance will therefore automatically be included in 31 July 2022 balance sheet. Any changes to an allowance made at 31 July 2022 would flow through OCI as one part of the 'remeasurement experience' item, unless otherwise instructed by an employer and its auditor. No explicit adjustment for McCloud has been added to the current service cost for 2021/22 (or the projected service cost for 2022/23).

Guaranteed Minimum Pension (GMP)

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6th April 1978 and 5th April 1997. The value of GMP is inherently unequal between males and females for a number or 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 6th April 2016 and 5th 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 6th April 2016 onwards.

The estimated impact of GMP indexation is to increase the total liabilities (which is shown as a past service cost within the 31st July 2021 disclosures) by approximately £106k for New College Lanarkshire and £11k for South Lanarkshire College.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24. PENSION SCHEMES (continued)

An allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the 31 July 2022 balance sheet. The impact of this will flow through the OCI as one part of the 'remeasurement experience' item.

Asset and Liability Reconciliation

	Region 2022	College 2022	Region 2021	College 2021
	£'000	£'000	£'000	£'000
Changes in the present value of defined benefit obligations				
Defined benefit obligations at start of period	128,346	104,541	116,594	95,314
Current and past service cost	7,339	5,616	6,725	5,290
Interest cost	2,062	1,673	1,672	1,365
Contributions by Scheme participants	764	593	762	591
Experience gains and losses on defined benefit obligations	206	161	(3,679)	(2,907)
Changes in financial assumptions	(49,480)	(40,026)	10,792	8,679
Changes in demographic assumptions	(531)	(430)	(2,859)	(2,408)
Estimated benefits paid	(1,593)	(1,312)	(1,661)	(1,383)
Defined benefit obligations at end of period	87,113	70,816	128,346	104,541
Changes in fair value of plan assets				
Fair value of plan assets at start of period	101,513	83,456	81,736	67,350
Interest on plan assets	1,595	1,307	1,154	950
Return on plan assets	(592)	(485)	17,046	14,029
Employer contributions	2,438	1,878	2,430	1,873
Contributions in respect of unfunded benefits	45	45	46	46
Contributions by Scheme participants	764	593	762	591
	(45)	(45)	(46)	(46)
	104,170	85,482	101,513	83,456
Estimated benefits paid	(1,548)	(1,267)	(1,615)	(1,337)
Unfunded benefits paid				
Fair value of plan assets at end of period				

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

24. PENSION SCHEMES (continued)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

25. BURSARY AND OTHER STUDENT SUPPORT FUNDS

FE Bursaries and other Student Support funds

	FE Bursary £'000	EMA £'000	Other £'000	2021/22 Total £'000	2020/21 Total £'000
Balance brought forward	**2,765**	**-**	**5**	**2,770**	**899**
Allocation received in year	12,014	494	3,773	16,281	16,093
Expenditure	(10,818)	(494)	(3,727)	(15,039)	(13,146)
Repaid to SFC/SAAS as clawback	(2,654)	-	(5)	(2,659)	(1,089)
Colleges contribution to funds	-	-	17	17	15
Intra-Region allocations	-	-	-	-	-
Virements	-	-	50	50	-
Funds retained by Colleges	-	-	-	-	-
Balance carried forward		**-**			
Represented by:					
Repayable to SFC as clawback	1,273	-	105	1,378	2,772
Repayable to Region	-	-	-	-	-
Retained by Colleges for students	34	-	8	42	-
		-			

FE and HE Childcare funds

	2021/22 Total £'000	2020/21 Total £'000
Balance brought forward	**1,075**	**363**
Allocation received in year	3,062	3,064
Expenditure	(2,021)	(1,989)
Repaid to SFC as clawback	(1,075)	(363)
Colleges contribution to funds	-	-
Intra-Region allocations	-	-
Virements	(50)	-
Funds retained by Colleges	-	-
Balance carried forward		
Represented by:		
Repayable to SFC as clawback	991	1,075
Repayable to Region	-	-
Retained by Colleges for students	-	-

REGION	**1,307**		**113**	**1,420 991**	**2,772 1,075**

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

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.

25. BURSARY AND OTHER STUDENT SUPPORT FUNDS

FE Bursaries and other Student Support funds

	FE Bursary	EMA	Other	2021/22 Total	2020/21 Total
	£'000	£'000	£'000	£'000	£'000
Balance brought forward	**2,317**	**-**	**5**	**2,322**	**899**
Allocation received in year	10,066	424	1,837	12,327	11,737
Expenditure	(8,944)	(424)	(1,774)	(11,142)	(9,470)
Repaid to SFC/SAAS as clawback	(2,283)	-	(5)	(2,288)	(844)
College contribution to funds	-	-	-	-	-
Intra-Region allocations	-	-	-	-	-
Virements	-	-	50	50	-
Funds retained by College	-	-	-	-	-
Balance carried forward		**-**			
Represented by:					
Repayable to SFC as clawback	1,122	-	105	1,227	2,322
Repayable to Region	-	-	-	-	-
Retained by College for students	34	-	8	42	-
		-			

FE and HE Childcare funds

	2021/22 Total	2020/21 Total
	£'000	£'000
Balance brought forward	**1,075**	**363**
Allocation received in year	2,669	2,654
Expenditure	(1,628)	(1,579)
Repaid to SFC as clawback	(1,075)	(363)
College contribution to funds	-	-
Intra-Region allocations	-	-
Virements	(50)	-
Funds retained by College	-	-
Balance carried forward		
Represented by:		
Repayable to SFC as clawback	991	1,075
Repayable to Region	-	-

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

Retained by College for students	-	-

COLLEGE

As a result of COVID-19 the College retained higher funds at 31 July 2022 and 31 July 2021 than would normally be expected due to significantly lower child care and travel costs.

26. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the accounting policies, which are described in note 1, the Board of Management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on

1,156		113	1,269	2,322

an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the Board of Management

1,156		113	1,269	2,322

have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Defined benefit pension scheme (note 24). The Colleges have obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The Board of Management estimates these factors with guidance from SFC and advice from Hymans Robertson in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

991	1,075

991	1,075

27. ADJUSTED OPERATING POSITION ON A CENTRAL GOVERNMENT ACCOUNTING BASIS

	Region 2022 £'000	College 2022 £'000	Region 2021 £'000	College 2021 £'000
(Deficit) before other gains and losses (FE/FE SORP basis) for academic year	(7,844)	(6,971)	(6,960)	(7,617)
Add: depreciation budget for Government funded assets (net of deferred capital grant) for academic year	1,060	863	1,060	863

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

Operating surplus (deficit) on Central Government accounting basis for academic year	**(6,784)**	**(6,108)**	**(5,900)**	**(6,754)**

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

Under the FE/HE SORP, the Region recorded an operating deficit of £7,844k for the year ended 31st July 2022. After adjusting for the non-cash allocation provided under Government rules, the Region shows an "adjusted" deficit of £6,784k on a Central Government accounting basis. Although this would suggest that the Region is operating beyond its funding allocation, the key accepted metric for Audit Scotland and the Scottish Funding Council is the Underlying Operating Position, which as per below is reporting a surplus.

The above surplus differs from the Underlying Operating Position deficit of £355k shown in the Financial Performance section at the front of these accounts, which adjusts for the actual depreciation less deferred capital grants as well as for non-cash pension adjustments, Transformation Funding and any non-government capital grants, in line with Scottish Funding Council guidance.

Appendix One

2021-22 Accounts Direction for Scotland's Colleges

1. It is the Scottish Funding Council's direction that institutions[1] comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts[2].

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 2021-22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SOPRP, the latter will take precedence.

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 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2022

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

Scottish Funding Council
18th July 2022

[1] The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

[2] 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.

NEW COLLEGE LANARKSHIRE
Bringing **Education** Closer

COATBRIDGE CAMPUS
Kildonan Street, Coatbridge ML5 3LS

CUMBERNAULD CAMPUS
Town Centre, Cumbernauld G67 1HU

HAMILTON CAMPUS
58 Castle Street, Hamilton ML3 6BU

KIRKINTILLOCH CAMPUS
50 Southbank Road, Kirkintilloch G66 1NH

MOTHERWELL CAMPUS
1 Enterprise Way
Motherwell ML1 2TX

BROADWOOD CAMPUS
Broadwood Stadium, 1 Ardgoil Drive,
Cumbernauld G68 9NE

www.nclanarkshire.ac.uk

South Lanarkshire College
East Kilbride

South Lanarkshire College
College Way, East Kilbride G75 0NE

www.south-lanarkshire-college.ac.uk

South Lanarkshire College East Kilbride

Finance and Resources Committee

DATE	21 August 2023
TITLE OF REPORT	College Capital Expenditure Schedule
REFERENCE	Agenda Item 7.2.0
AUTHOR AND CONTACT DETAILS	Keith McAllister, Head of Finance keith.mcallister@slc.ac.uk
PURPOSE:	To present the schedule being maintained by the College in respect of its capital requirements
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • Note the level of capital investment that has been identified by management • To note the funds available to address these requirements and the sources of these funds
RISK	• That there are insufficient funds for capital project and maintenance requirements
RELEVANT STRATEGIC AIM:	• The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• Members to note that the schedule will form the basis of the short term requirements in a future Estates Strategy • SFC has made an improved grant to the College in respect of ring-fenced capital grant and the College does have the opportunity to bid for funding to the College Foundation.

	Anatomical models,moving – Handling equipment and dumb machines.	[illegible]		[illegible]		Jul-23	From Curriculum Plan 2023-24	No			
		£10,000		£12,000		Apr-22	Craig to look at scheduling of the care room.	No	Yes	To provide office space for new school coordinator in proximity to line manager.	Is restructive of 105 going to enable this, is there a specific location?
	Nail desks required with filters to elimate odours from chemicals	£7,668		£9,202		Jan-23	Health & Safety requirement	Yes	Yes	Additional ventilation required	
	Walk in Freezer (tbc), Freezers and Fridges, Kitchen Aids, replacement tumble dryer etc	£30,000		£36,000		Aug-22	Some spend now underway. The walk-in freezer is to be repaired	Yes		General equipment refresh. This equipment has not been replaced since new in 2008	Faculty Purchase
		£16,000		£20,000		Aug-22	G16 complete	Partially complete		To support expanding delivery depending on quotations Awaiting quote from facilities for G16 work	G16 completed. Greenhouse and machi is Faculty Purchase. Paving can be carri out but we require a specific layout requirement
		£10,000		£12,000		Aug-22	Added to the scope of the architect work.	No		To meet the accessibility needs of students as per the Disability Discrimination/Equality Acts	Location to be determined.
	Rooms(labs) modified to ensure group work (active learning) can take place: reconfig of rooms additional laptops laptop charging units double monitors for accounting courses slide flipchart boards mounted.	£0		£0		Jul-23	From Curriculum Plan 2023-24 Not Required to this extent.				
	FA delivery as part of consortium agreement. Introduction of computing course to meet the industry demands. 2023-24 curriculum update.	£30,000		£36,000		Aug-23	From Curriculum Plan 2023-24	No			
	Creative and Digital media equipment to provide industry standard equipment and experiences	£10,000		£12,000		Sep-23	From Curriculum Plan 2023-24	No			
	Workshop machinery moving towards the end of their serviceable life, annual service implemented as a preventative measure. Cordless power tool technology becoming more prevalent, battery lifespan improvement. Refurb of Rigs	£14,230		£17,076		Jul-23	From Curriculum Plan 2023-24	Yes			
	Floor space, development required for Plastering and Bricklaying accommodation. Currently no available space to deliver roofing – multiuse workspace would support curriculum. Class rooms without dividing wall to allow for computers along the walls and desk space in middle 116 and 118	£150,000		£180,000			From Curriculum Plan 2023-24 Awaiting Architech quotes Depends on what was displaced, if mezzanine floor was floored to make to larger workshops then the cost could be upwards of £150,000. Rooms identified are LG80 and LG82 or move current location of cabin in LG72a and open up wall combining LG72 giving a flat space workshop less cost than above but unable to get price for removing a relocating cabin.	No			
	Wider college discussion	£0		£0	Cross College discussion					Fitness Room, Mock Court, Examination space, Theatre and Exhibition Space, Student social space	Location to be determined.
		£13,120		£16,400		Aug-22	(Laptops 32 x £450 Charging stations 2 x £1000) Comments: Added to IT's capex	Yes		Creative and Innovative. Increase the flexibility of the teaching spaces to facilitate the need to utilise ICT and associated software packages such as SmartScreen	IT purchase
		£4,800		£6,000		Mch 22	Completed	Yes		Reducing our environmental impact. By repurposing the wood waste we are increasing our recycling credential and reducing our carbon footprint	Curriculum Purchase
	Specialised roofing rig required to support curriculum delivery, replacement of equipment and the EWI house upgrade.	£25,000		£30,000		Jul-23		No			
pace		£48,000		60,000		Aug-22	(3 x £20,000)	Yes		High Achieving. For example: Working off concrete pads and creating real life working environment which will allow for project work to be undertaken thus support students to complete their SVQ	Concrete pads - Summer Works
	Convert teaching space into workshop type space. Relocate Cabin. Remove floor tiles. Purchase/Install work benches. Additional equipment is required.	£15,000		£18,000		Oct-22		Partially completed		This would involve moving the Cabin to another location and find a replacement teaching area for LG72. Looking to establish where there is capacity to undertake these moves before any alterations to LG72 &72A take place. This will need rooming information to be captured.	Curriculum to review location.
	Construction workroom 105, 115, Workroom 305, marketing office work after flood damage and 309 Facilities	£167,315		£200,778		Aug-23	Awaiting building warrant and start date. Awaiting approval from Chairs Committee due to price.	Yes		Continually Improving. Increase the efficient use of the office space, including the access to natural light and air by redesigning the area to include rooms 105 including b,c,d & 115. This would include creating a test centre for CSCS to be carried out thus reducing the impact on a classroom being allocated	105 to 115 Alterations - Summer Works
	Note this is look at how the groudfloor space is being used and how to make the best use of it.	£15,000		£18,000		Aug-22	Part of architect scoping exercise.	No		See separate sheet. This is for an enclosed reception with addtional space behind the desk. Creation of a cubby hole at t	Reception - Summer Works
	Plant room updating, boiler replacement and BIM	£69,500		£83,400		Feb-23	Partially completed. Boilers are having further issues. Sue directed the College to other colleges to gaugue if heat pumpsl actually specialist.	Partially Complete		Urgent to stop reoccurance of flooding	Added to Summer Works
	Stablisation of the lift shaft	£29,900		£35,880		Apr-22	Completed	Yes		Completed.	Added to Summer Works
	Internal Building Survey Cost	£25,000		£30,000		Jan-23	Patrially Completed awaiting 3rd presurvey on 13/12/22	Yes		Completed.	Added to Summer Works
	Building Survey Internal Work	£77,000		£92,400		Aug-23	Not yet started just received report in Jan 23	Yes		Completed.	
	Building Survey External Cladding Work					Sep-23	Out to tender, awaiting quotes.	No		Survey is completed, but there needs ot be a project manager to lead the 4 year works	
	Replace existing analogue cameras to digital (incl. Wiring)	£25,000		£30,000		Mar-23	Cost is guide estimate, framework supplier to be contacted or out to Tender	Partially Complete		Building security and more accurate investigation process due to improved images	Added to Summer Works
	Replace old van with new electric one	£35,000		£0		Jul-23	Cost is guide estimate, framework supplier to be contacted or out to Tender. Not priority. Potential funidng for this. Craig to investigate.	No		Old van is past its economic value and of low worth. Becoming less reliable. New electric one would be a great step forward for our carbon footprint. The van is required for local merchan collections both by Facilities and Construction faculty	Added to Summer Works
	Relay, repair and level paving slabs	£10,000		£12,000		Apr-23	Cost is guide estimate, Existing groundwork contactor still to quote 09/12/22, or out to framework/tender. Craig to check this.	No		Some paving is requiring repairing/replacing to level to ensure a safe walking surface.	Added to Summer Works
	Install of Electric vehicle charging point for electric van	£10,000		£0		Jun-23	Cost is guide estimate' Craig to investigate.	No		Charging point in addition to 2 existing beside Van parking bay. Positive impact on our carbon footprint	Added to Summer Works
	Install of EV charging point in various locations throughout carpark	£50,000		£0		Jun-23	Cost is guide estimate. Tender required	No		Multiple options for EV drivers. Positive impact on our carbon footprint.	Added to Summer Works
	Install, commision and training of staff of Computer Aided Facilities Management System (5 Licences)	£10,000		£12,000		Feb-23	Cost is guide estimate. Supplies contacted for Demo, Peers in other colleges/ Universities contacted for recommendations. Craig to investigate.	No		Imrove the Facilities Management effectiveness, improved efficiency, accurate reporting, information can be provided automatically reducing staff recourse impact.	Added to Summer Works
	Install battery wall link to Solar PV	£0		£0		Jun-23	Remove from Cap ex spend now from Scot Gov funding. Cost with VAT £120k	No		Reducing energy costs	Added to Summer Works
	Install of Solar PV array to main building roof (if possible)	£80,000		£0		Jun-23	Out to tender Cost with VAT £96k	Yes		Reducing energy costs. Not included in cap ex spend as	Added to Summer Works
	Remove and replace external glazed doors	£50,000		£60,000		Apr-23	Framework contactor quoted. Declined by finance. £44K	Yes		Doors are beginning to fail. This is a risk to building security and safe operation of fire exit doors	Added to Summer Works
	Install 5 screens and onelan equipment to interlink BMS, Helpdesk info as well as electronic noticeboards	£5,000		£6,000		Jan-23	Order to be placed	Partially Complete		Improve departmental efficiencies and have upto the minute monitoring and notification of building systems	Added to Summer Works
	Install accoustic insulation above folding partitions	£10,000		£12,000		Mar-23	Awaiting rough cost from contractor	Yes		Improved working enviroment for Students and Lecturers	Added to Summer Works
	Fixed electrical testing (5 yearly)	£16,000		£19,200		Mar-23	Require new electrical contractor. No electric contractor available. On track out for tender. Returnign in the summer.	Yes		Required to meet H&S Legislation	Added to Summer Works
	Replacement of Smoke detection heads	£40,000		£48,000		Jan-23	Fire Alarm system works in process just now	Yes		Aged equipment needing replaced to give coverage	Added to Summer Works
	Standing seam gutters and and plant room wall heads	£30,000		£36,000		Mar-23	Started	Partially Complete			Added to Summer Works
	Purchase of new HR system.	£70,000		£84,000		Jan-23		Yes			Dept. Purchase

Lower storage units to be fitted chairs to be purchased Make-up						a potential staff room. Myra to investigate if still required.
Summary of Requirements						
Upgrade of Student Facilities			£684,418			
Upgrade of College Estate			£533,880			
Systems Upgrade			£141,460			HR System, Student Records and Phone System.
Digital Costs			£256,138			
Total requirement			£1,615,897			
Funded via:						
SFC capital 2022/23			£182,851			
SFC Digital Poverty 22/23			£81,449			
Backlog Maintenance 21/22			£66,750			
Strategic Investment Fund			£1,000,000			
			£1,331,050			
Note also funds with SLC Foundation			£500,000			

FINANCE & RESOURCE COMMITTEE

DATE	21st August 2023
TITLE OF REPORT	Review of Board Finance-Related Reporting Requirements
REFERENCE	7.3
AUTHOR AND CONTACT DETAILS	Elaine McKechnie, Financial Accountant, Elaine.mckechnie@slc.ac.uk
PURPOSE:	To update Board and Committees on Finance's proposed workplan for the year.
KEY RECOMMENDATIONS/ DECISIONS:	The Board and Members are asked to: • Note the dates proposed in line with wider sector return deadlines and external publication dates.
RISK	• Risk of non-compliance with statutory and legal obligations by Board and Committees to ensure good corporate governance arrangements are in place; • Risk to going concern through failure to provide relevant and timely financial updates and reports, particularly around cash flow.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• Please see dates and deadlines as contained within the table in the appendix.

1. INTRODUCTION

1.1. This paper provides a brief outline of Board Finance-Related Reporting Requirements as set out in the table contained as an appendix.

2 BACKGROUND

2.1 As part of good governance, it has been recommended that the College consider using a work plan to ensure that relevant matters and priorities are considered by the respective committees and Board at appropriate times throughout the academic year. This paper and in particular, the table attached, sets out the timings for various financial reports for which the Board and committees will have oversight.

3 DISCUSSION

3.1 Most of the financial information submissions for which we are responsible are for the benefit of the Scottish Funding Council, Audit Scotland and the Office of the Scottish Charity Regulator (OSCR). However, you will also note within the appendix the inclusion of internal reports such as monthly and quarterly CAPEX and cashflow reporting, together with quarterly management accounts. It is hoped that these submissions to the Senior Leadership Team (SLT), Board and respective Committees will aid future financial decision making during a critical time for the College, with activity target and funding cuts.

3.2 Please also note that the request for monthly management accounts will be considered during 2023-24 as a further enhancement to greater accountability and transparency of financial results. There is substantial work to be undertaken to look at the existing functionality of the accounting system and make appropriate updates, which will align reporting capabilities with the College’s overall reporting requirements. An update as to feasible timescales for this task will be given at the next Board/Committee meeting.

4 EQUALITIES

There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

5 RISK AND ASSURANCE

Risk of non-compliance with statutory and legal obligations placed on the Board and respective Committees to ensure good corporate governance arrangements are in place;

Risk to going concern through failure to provide transparent. relevant and timely financial updates and reports, particularly around cash flow. Accountability has an important role to play in the strengthening of risk culture and ultimately governance at the College. These timelines are in place to mitigate failure in performing key tasks throughout the year.

6 RECOMMENDATIONS

Members are recommended to:

- note the contents of this report and its attachments.

Draft Schedule of Board Finance-Related Reporting Requirements

Month	SLC Committee Meeting Date	Call for information by Board/FRC/ARC	Sector return deadlines	External Reports/Publications

Month	**SLC Committee Meeting Date**	**Call for information by Board/FRC/ARC**	**Sector return deadlines**	**External Reports/Publications**
Aug	22 /28 Aug 2023 21 Aug 2023 21 Aug 2023 28 Aug 2023 28 Aug 2023	SLC Risk Register to ARC and Board CAPEX Requirements Schedule to SLT & FRC Cashflow Schedule to FRC Audit Recommendation Monitor to ARC Full FFR to FRC/Board	N/A Internal Review Only N/A Internal Review Only N/A Internal Review Only N/A Internal Review Only	
September		CAPEX Requirements Schedule to SLT	Full FFR return (including ALF info) – colleges to SFC N/A Internal Review Only	
October		CAPEX Requirements Schedule to SLT	AME returns and budgets – colleges to SFC N/A Internal Review Only	SFC Finance Committee – report on the analysis of the interim FFR returns SFC Share interim FFR data with colleges
November	27 Nov/ 5 Dec 2023	Annual accounts to FRC/ARC/Board	Annual accounts return to SFC. Draft AOP calculations – colleges	

07.3.1 Annual Review of Board finance-related reporting requirements TABLEH:\ONSReclassification\Finance Comm\2023 Aug FRC\07.3.1 Annual Review of Board finance-related reporting requirements TABLE.docx

Month	SLC Committee Meeting Date	Call for information by Board/FRC/ARC	Sector return deadlines	External Reports/Publications
	27 Nov/ 5 Dec 2023 27 Nov 2023 27 Nov 2023	Quarterly Management Accounts Q/e 31st October* CAPEX Requirements Schedule to SLT & FRC Cashflow Projections to FRC Audit Recommendation Monitor to ARC SLC Risk Register to ARC and Board	N/A Internal Review Only N/A Internal Review Only N/A Internal Review Only N/A Internal Review Only N/A Internal Review Only	
December	31 Dec 2023 5 Dec 2023	Formal lodging of accounts with SFC and Audit Scotland SLC Risk Register CAPEX Requirements Schedule to SLT	Annual Accounts and supporting documents to SFC N/A Internal Review Only N/A Internal Review Only	SFC Sustainability publication– reporting on the SPF and FFR SFC Finance Committee – report on the analysis of the full college FFR returns SFC Share full FFR data with colleges
January		CAPEX Requirements Schedule to SLT	N/A Internal Review Only	

Month	SLC Committee Meeting Date	Call for information by Board/FRC/ARC	Sector return deadlines	External Reports/Publications
February	20 Feb 2024 26 Feb 2024 26 Feb 2024 20 Feb 2024	Quarterly Management Accounts Q/e 31 Jan* CAPEX Requirements Schedule to SLT & FRC Cashflow Projections to FRC Timeline for 2024- 25 Budget with key tasks/deliverables to FRC MYR to FRC Audit Recommendation Monitor to ARC	N/A Internal Review Only N/A Internal Review Only N/A Internal Review Only N/A Internal Review Only	
March	7 Mar 2024 31 Mar 2024 31 Mar 2024	Statement of Assurance/MYR to Board CAPEX Requirements Schedule to SLT Statement of Assurance to NCL/SFC MYR to SFC	 N/A Internal Review Only Consolidate response with NCL prior to SFC submission.	
April				SFC Finance Committee – report on the college annual accounts

Month	SLC Committee Meeting Date	Call for information by Board/FRC/ARC	Sector return deadlines	External Reports/Publications
				SFC Finance Committee – report on ALFs Share annual accounts data with colleges
		CAPEX Requirements Schedule to SLT	N/A Internal Review Only	
	30 Apr 2024	Annual Return with Trustee Annual Report & Accounts to OSCR		OSCR Publication of Annual Report & Accounts for public view
May	20 May/ 21 May 2024	Quarterly Management Accounts Q/e 30 Apr*	N/A Internal Review Only	SFC Finance Committee – report on sector MYR
		CAPEX Requirements Schedule to SLT & FRC	N/A Internal Review Only	SFC Share MYR data with colleges
		Cashflow Schedule to FRC	N/A Internal Review Only	
		Audit Recommendation Monitor to ARC	N/A Internal Review Only	
		2024-25 Budget Review with FRC	N/A Internal Review Only	To be provided to SFC in FFR format in Jun 2024
June	6 Jun 2024	Draft FFR return to Board		SFC Sustainability publication– reporting on the Annual Accounts and MYR for colleges

Month	SLC Committee Meeting Date	Call for information by Board/FRC/ARC	Sector return deadlines	External Reports/Publications
	30 Jun 2024	2024-25 Budget Review with Board FFR to SFC	N/A Internal Review Only	Provide to SFC in FFR format in Jun 2024
July	31 July 2024	2024-25 Internal Completion of Budget including input to Financial Accounting System	N/A Internal Review Only	

*Monthly management accounts will be produced during 2023-24 alongside quarterly management accounts. There is still work to be done as regards to financial system set up and functionality, but the plan would be to issue:

1. Monthly management accounts with basic accruals, prepayments and other estimates where necessary

2. Monthly Finance report containing

- Overview of monthly management accounts
- Sales ledger reconciliation and review including review of income streams from local authorities, CITB, SNIPEF, SAAS etc, together with student enrolment records within SITS, looking at outstanding debts and actions that have been taken for larger, more material balances.
- Purchase ledger reconciliation and review,
- CAPEX spend to date and forecast,
- Cashflow position and forecast to end of year; and
- Any other pertinent financial updates.

Further update to be provided with timescales at next Board/Committee members set for November/December 2023.

South Lanarkshire College

Year-end planning

Financial Audit 2022-23

Month	Task	Responsibility	Assisted by	Completion Date	Comments
Aug 2023	July P&L management accounts for budget holders	BMcM	N/A	18 August 2023	
	Post all residual journal entries including payroll	BMcM, EMcK	AMMcC	18 August 2023	
	Balance Sheet Reconciliations	BMcM, EMcK	N/A	25 August 2023	
	Ask Stella/Peter to review performance Report/Governance Statement within Financial Statements	EMcK (copy KMcA)	SMcM, PFS	30 September 2023	
	Actuarial Papers received for year end valuation from Hymans Robertson	EMcK	N/A	31 August 2023	
Sep 2023	Financial Statement Production	EMcK, KMcA	Finance Team	29 September 2023	Elaine working 4 days a week in Sep/Oct
Oct 2023	Audit Scotland Fieldwork	KMcA, EMcK, BMcM	Finance Team	16 Oct – 27 Oct 2023	
	Excel accounts to NCL for consolidation	EMcK, KMcA	N/A	18 Oct 2023	Send to Lynn MacKenzie
	Final clearance meeting with Head of Finance to agree final stats	KMcA, Audit Scotland	N/A	31 Oct 2023	
Nov 2023	Issue proposed audit report, letter of management rep and independent auditor report to Audit & Risk Committee	Audit Scotland	BoM	13 Nov 2023	
	Presentation of proposed annual audit report to Audit & Risk Committee which allows Finance & Resources to consider the Annual Report and Financial Statements.	Audit & Risk Committee	Chair of Finance & Resources Committee	27 Nov 2023	

	Consideration of the Annual Report and Financial Statements by the Finance and Resources Committee	Finance & Resources Committee	Chair of the Audit & Risk Committee	27 Nov 2023	
	with a view to recommending these to the Board of Management for approval. Confirmation given to the RSB that the Financial Statements have been recommended for approval.				
Dec 2023	Meeting of the Board of Management to approve Financial Statements.	EMcK/ VP/Head	N/A	5 Dec 2023	
	Lodge Annual Report and Financial Statements with Audit Scotland and the Scottish Funding Council Complete and lodge financial statements template with Scottish Funding Council	Audit Scotland (as external auditors) EMcK/ VP /Head		31 Dec 2023 31 Dec 2023	
April 2024	Lodge financial statements with OSCR once these have been laid before the Scottish Parliament	EMcK/ VP/Head	N/A	30 April 2024	

BMcM Bill McMahon (Management Accountant)

EMcK Elaine McKechnie (Financial Accountant)

KMcA Keith McAllister (Head of Finance)

VP Vice Principal (Finance, Resource and Sustainability)

Note:

Dates of the Regional Strategic Board to be noted

Audit and Risk Committee 4 Dec 2023

Finance and Resources Committee 4 Dec 2023

Regional Strategic Board 11 Dec 2023 **Appendix 1**

KEY					
BILL	VAT, PAYROLL RELATED AND STUDENT SUPPORT/BURSARIES				
ELAINE	EVERYTHING ELSE				

FUND	SUBJECT	CENTRE	PROJECT	Account Description	Closing Balance
B	920330	*	*	BASE.SUNDRY DEBTORS. .	-169.6
Z	910120	*	*	BALANCE SHEET.FURNITURE - FIX AND FIT OWN COST	674,422.30
Z	910130	*	*	BALANCE SHEET.COMPUTERS OWNED COST	1,912,475.61
Z	910170	*	*	BALANCE SHEET.SFC CAPITAL GRANT ACCOUNT. .	693,122.74
Z	920201	*	*	BALANCE SHEET.DEBTORS CONTROL - CMIS. .	74,990.05
Z	920204	*	*	BALANCE SHEET.SALES LEDGER SUSPENSE. .	3,811.26
Z	920310	*	*	BALANCE SHEET.PREPAYMENTS	0
Z	920320	*	*	BALANCE SHEET.ACCRUED INCOME	0
Z	920330	*	*	BALANCE SHEET.SUNDRY DEBTORS	-5,606.21
Z	920410	*	*	BALANCE SHEET.EMPLOYEE ADVANCES	3,463.39
Z	920411	*	*	BALANCE SHEET.CYCLE SCHEME. .	982.11
Z	920412	*	*	BALANCE SHEET.SKILLBUILD COMPETITION. .	-7,244.29
Z	920510	*	*	BALANCE SHEET.PETTY CASH	3,679.92
Z	920520	*	*	BALANCE SHEET.BANK ACCOUNT 1 CASHFLOW A/C	1,041,406.19
Z	920529	*	*	BALANCE SHEET.MSBF BANK ACCOUNT. .	18,978.75
Z	920531	*	*	BALANCE SHEET.BANK TRANSFER CONTRA	133,332.86
Z	930112	*	*	BALANCE SHEET.EMPLOYERS PENSION CONTRACT	105,296.73
Z	930114	*	*	BALANCE SHEET.PAYE	94,254.35
Z	930117	*	*	BALANCE SHEET.NI REBATE - EMPLOYEE. .	-1,683.16
Z	930118	*	*	BALANCE SHEET.EMPLOYEES PENSION CONTRACTS	2,075.00
Z	930120	*	*	BALANCE SHEET.STATUTORY SICK PAY. .	48,821.93
Z	930121	*	*	BALANCE SHEET.SPPA PENSION - EMPLOYER. .	1,491,600.78
Z	930122	*	*	BALANCE SHEET.STATUTORY MATERNITY PAY	61,472.59
Z	930123	*	*	BALANCE SHEET.SPF PENSION - EMPLOYER. .	550,398.95
Z	930124	*	*	BALANCE SHEET.UNION DUES - TEACHING	12.06
Z	930125	*	*	BALANCE SHEET.UNION DUES - SUPPORT STAFF	727.71
Z	930126	*	*	BALANCE SHEET.A.V.C.'s - PRUDENTIAL	685.93
Z	930128	*	*	BALANCE SHEET.CREDIT UNION	7,640.00
Z	930129	*	*	BALANCE SHEET.ARRESTMENTS	658.92
Z	930130	*	*	BALANCE SHEET.PAYROLL CONTROL ACCOUNT	576,071.13
Z	930131	*	*	BALANCE SHEET.MANAGEMENT SUSPENSE	-1,930,845.01
Z	930133	*	*	BALANCE SHEET.NURSERY VOUCHERS. .	284.35
Z	930135	*	*	BALANCE SHEET.TRAVEL CARDS. .	-1,095.36
Z	930137	*	*	BALANCE SHEET.DAS ANNUAL REGISTRATION FEE. .	8,060.00
Z	930140	*	*	BALANCE SHEET.VAT INPUTS - RECOVERABLE	0
Z	930142	*	*	BALANCE SHEET.VAT OUTPUTS. .	11
Z	930150	*	*	BALANCE SHEET.TRADE CREDITORS	-106,080.83
Z	930320	*	*	BALANCE SHEET.ACCRUALS 1	-32,206.25
Z	930330	*	*	BALANCE SHEET.OTHER ACCRUALS 2	0
Z	930362	*	*	BALANCE SHEET.BURSARY GRANT FROM SOED. .	-5,924,824.73
Z	930363	*	*	BALANCE SHEET.BURSARY PAYMENTS SUSPENSE	3,733,425.01
Z	930365	*	*	BALANCE SHEET.EMA GRANT RECEIVED. .	-155,720.00
Z	930366	*	*	BALANCE SHEET.EMA GRANT MAINT. PAYMENTS MADE. .	147,300.00
Z	930371	*	*	BALANCE SHEET.FE HARDSHIP FUND. .	1,477,866.29
Z	930372	*	*	BALANCE SHEET.FE CHILDCARE FUND. .	227,101.91
Z	930376	*	*	BALANCE SHEET.HE HARDSHIP FUND. .	156,375.00
Z	930377	*	*	BALANCE SHEET.MATURE STUDENT BURSARY FUND. .	172,763.82

Z	930381 *	*	BALANCE SHEET.STAFF ASSOCIATION FUNDS	-934
Z	930382 *	*	BALANCE SHEET.STUDENTS' ASSOC FUNDS	22,289.26
Z	950110 *	*	BALANCE SHEET.PROVISIONS ACCOUNT 1	-374,459.96

South Lanarkshire College East Kilbride

Finance and Resources Committee

DATE	21 August 2023
TITLE OF REPORT	College Infrastructure Strategy
REFERENCE	Agenda Item 7.4.0
AUTHOR AND CONTACT DETAILS	Keith McAllister, Head of Finance keith.mcallister@slc.ac.uk
PURPOSE:	To present the submission of Colleges Scotland re the sector's Infrastructure Strategy Delivery Plan
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • Note the work being undertaken by SFC re its review of the sector's Infrastructure Strategy • To note the results of the feedback received by Colleges Scotland on the Strategy
RISK	• That there are insufficient funds for capital project and maintenance requirements
RELEVANT STRATEGIC AIM:	• The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• Members to note that SFC is examining the infrastructure requirements of the sector and that the sector has given feedback. • The results of the exercise should provide an indication of financial requirements and will form the basis for a bid to Scottish Government for funding.

College Infrastructure Strategy: Delivery Plan

Date of issue: 20 March 2023

Introduction

College Infrastructure Strategy: The approach to delivering Scotland's college Infrastructure Investment Plan (CIS) was published in November 2022. The strategy describes the Scottish Funding Council's approach to investment in Scotland's college estate and other infrastructure. The strategy sets out the collective approach between the SFC and colleges to develop an **Infrastructure Investment Plan** for Scotland's colleges covering the period from 2023 – 33. The plan will identify infrastructure investment including investment for net zero, training equipment and digital needed for a sustainable college estate to deliver the desired outcomes for students, staff, and the communities. We plan to publish the plan in autumn 2024.

Our vision

Our ambition is a college estate that delivers a high quality, technologically advanced and sustainable learning environment enabling and enhancing successful learning and skills outcomes for students, staff, and other communities.

Colleges and SFC have jointly identified actions required to produce an Infrastructure Investment Plan for Scotland's colleges. These actions are included in CIS and are summarised below.

College led actions

- Colleges will demonstrate and collate evidence of the condition of their estates, specifically highlighting those in poorest condition.
- Each college will produce a Strategic Outline Case, summarising its proposed investment need aligned with the strategic principles outlined in Part 2 of CIS.
- Colleges will assess the digital and net zero infrastructure investment required to deliver equitable provision across all estates, in line with each college region's needs.

SFC led actions

- Develop a clear, transparent evaluation and assessment criteria (based on SCIM) for capital investments in line with the strategic principles outlined in Part 2.
- Review the SFC annual capital maintenance funding allocation to ensure alignment with the strategic priorities and principles.
- Investigate alternative capital funding models and approaches capable of meeting the wideranging investments required by colleges.

This CIS delivery plan, which has been developed jointly between SFC and Colleges Scotland, is the first step towards delivering our strategy and achieving our primary goal - to produce an Infrastructure Investment Plan (IIP) for Scotland’s colleges.

Delivery plan

Below is an overview of **seven work packages** and high-level milestones for the development of an IIP for Scotland’s colleges. More milestones will be added as work is developed. Please note timing of Work Package (WP) activities, particularly WP 5 and 6 may be brought forward, dependent on when the technical support team is in place.

Work Package 1: Governance & guidance			
The first step is to establish a Strategy Delivery Group (SDG) which will include representatives of SFC, Colleges Scotland, the college sector, Scottish Government and SFT. SDG will be a short life working group until the IIP is developed and published in spring 2024. The purpose of the group will be to agree the delivery plan, which include actions, milestones, outputs, and timescale for delivering the IIP. Then to champion support and oversee the strategy delivery (see below – Role and Remit of Strategy Delivery Group).			
Actions and milestones	**Output**	**Completed by**	**Led by**
(M) First meeting of Strategy Delivery Group (SDG)	Membership and remit agreed Agreement on CIS Delivery Plan Agreement on SDG remit and reporting Approach to baseline data collection agreed Future SDG meeting dates agreed	April 2023	SFC
(M) SFCs Asset Disposal Guidance published	Asset Disposal Guidance agreed with SG ensuring cognisance of ONS reclassification developments Disposal Guidance published / issued to the sector	May 2023	SFC
Quarterly reporting on progress	Progress reports prepared and reviewed by SFC		As per WP leaders

Develop methodology Initial progress report one August 2023 SFC and Colleges

for monitoring progress year after publication. Scotland of CIS (i.e.,

metrics)

Progress reports on the strategy every 3 years, reviewed by SFC, SG and the sector

Further milestones to be added

Work Package 2: Baselining Estate Condition

Critical to the IIP is for all colleges to provide an up-to-date baseline of the condition of their estate set within regional context, using an agreed, consistent dataset. Prior to gathering the data, a set of metrics and methodology will be agreed by the sector.

Actions and milestones **Outputs** **Completed by** **Led by** Identify best

practice Agreed set of achievable July 2023 SDG

for estate condition and consistent data survey

and net zero / requirements that include

sustainability reporting estate condition,

meeting

net zero target and supporting digital infrastructure needs

Collate relevant Suite of materials provided July 2023 SFC standards,

procedures to inform baselining

and KPIs (BREAM, requirements

NZPBS, BIM, Zero Waste

Scotland etc)

(M) Agree baseline data Data collection guidance July2023 SFC, in discussion

with for college estate prepared and agreed with Colleges Scotland, SDG condition

report the sector and technical support team

Data collection template agreed and finalised

(M) Colleges collate Data collection templates October 2023 Colleges Scotland (with

baseline data for their completed by all colleges input from technical

estate and submitted to Colleges support team)

Scotland and SFC

Further milestones to be added

Work Package 3: Consideration of existing and alternative capital investment and funding models

Funding is required for lifecycle maintenance of existing assets to repair, refurbish or reconfigure buildings; to build new assets, and update digital infrastructure to enable new service delivery and meet future needs. Approaches to investment will be investigated/ developed, with associated issues and risks considered as options within the IIP. SFC will lead the work, supported by colleges, SFT, government(s) and others, to explore and assess all potential opportunities for additional and new funding needed for a wide range of infrastructure projects.

Actions and milestones	Outputs	Completed by	Led by
Identify alternative funding models.	Details of alternative examples of potential funding models out with public sector identified and collated College sector case studies of current and past funding approaches identified and collated College leaders provide suggested alternative funding approaches	May 2023	SFC (SFT input)
Identify collaborators and stakeholders	Contact database prepared of key individuals in SG, universities, private sector finance and other public	May 2023	SDG

	sector organisations responsible for capital funding		
(M) Workshops on funding models with sector, and issues discussed, stakeholders	Workshops held with barriers identified, collaborators preferred models identified	June 2023	SFC
Further milestones to be added			
Work Package 4: Future operating models			
To consider and understand colleges' future digital investment needs, the requirements of diverse modes of learning, and opportunities for collaboration on estates, net zero and operations between institutions and wider stakeholders. To include the work of Joint Information Systems Committee (Jisc) on technology foresight and trends and Scottish Futures Trust asset guidance and other relevant strategy delivery activities (e.g., LEIP, NZPSB Standard).			
Actions and milestones	**Outputs**	**Completed by**	**Led by**
Identify best practice / (with lessons learned for collaboration and digital collate	Examples from colleges, wider public sector and private sector examples explored or provided by case studies Digital twin approach (dynamic simulation of college estate achieving net zero)	September 2023 infrastructure - the sector	Colleges Scotland technical support team) SFT
Identify collaboration opportunities and partners / stakeholders	Examples from colleges, wider public sector and private sector explored or provided by the sector	September 2023	Colleges Scotland
(M) Facilitate collaboration across digital and estate stakeholders	Potential collaboration opportunities identified and contacted Up to four regional workshops held to collaboration opportunities	October 2023	Colleges Scotland (with SFC / SFT input) partners and progress
Further milestones to be added			
Work Package 5: Development of SCIM (Scottish Capital Investment Manual) / Revised Capital Decision Point Process			
SCIM defines the business case development and evaluation process for new capital projects. SFC will work with the SFT and colleges to develop SCIM for colleges. The introduction of SCIM will comprehensively revise SFC's Capital Decision Point Process.			

Actions and milestones	Outputs	Completed by	Led by
Prepare a transparent, evidence-based process for assessing, prioritising, and allocating capital funding	Revised, transparent, evidence-based process for assessing, prioritising, and allocating capital funding	June 2023	SFC, in discussion with Colleges Scotland
(M) SCIM proposal and approval process for the sector developed	Workshop with the sector Draft proposal / approval process drafted and agreed by sector	July 2023	SFC (support from SFT)
Capital Decision Point Processes revised to incorporate SCIM and SOCs	SCIM approved by SFC Capital Decision Point Committee (CDPC) and SFC Board (as required) Revised guidance published by SFC (M)	July 2023	SFC
Further milestones to be added			
Work Package 6: Development of Strategic Outline Cases (SOC) by college region			
A SOC is the critical first decision point of SCIM process and will be included in the revised SFC Capital Decision Point Process. SFC will work with SFT and colleges to develop SOC template and guidance for colleges. Colleges will then produce SOCs for investment, supported by SFC, SFT and technical support team.			
Actions and milestones	**Outputs**	**Completed by**	**Led by**
Agreement on SFC's SOC requirements (see WP 5)	Workshop held with SFT Meeting held with the College Finance Directors Group /Strategy Directors/ Infrastructure Leads to collate views on what an SOC should include	May 2023 July 2023	SDG
Colleges prepare draft SOC (with technical support)	Draft SOCs reviewed by SFC and technical support team	January 2024	College sector, tech support team
(M) Finalised SOCs submitted to SFC and technical support team	SOCs collated by Colleges Scotland and submitted to SFC	January 2024	Colleges Scotland
Work Package 7: Preparation of Infrastructure Investment Plan (IIP)			

This work package encompasses the development and approval steps required prior to publication of the IIP.

Actions and milestones **Outputs** **Completed by** **Led by** Prepare a draft IIP IIP structure and outline July 2023 SFC content agreed with CS and SG

Draft IIP prepared for review by SDG, CS and SG February 2024

(M) IIP approved by SFC CDPC, SFC Board Relevant approvals obtained Summer 2024 SFC

Final draft circulated prior to publication to SDG and SG	(M) Infrastructure Investment Plan publication and launch	Autumn 2024	SFC

Strategy Delivery Group

Background and Policy Context

In 2022, SFC published the College Infrastructure Strategy: The approach to delivering Scotland's college Infrastructure Investment Plan. The Strategy sets out the approach to delivering the Infrastructure Investment Plan in terms of working to a set of agreed strategic principles that responds to regulations, policies, and best practices.

Remit, Roles, and Responsibilities

We have prepared a delivery plan for the development of the Infrastructure Investment Plan. A key part of the delivery plan is a robust governance and management structure. SFC is responsible for CIS delivery but can only do so with buy-in and significant input from colleges and other experts including the Scottish Futures Trust and the Scottish Government.

The Strategy Delivery Group's role is to provide leadership, oversight, and guidance for the preparation of a 10-year Infrastructure Investment Plan for Scotland's colleges. The Group will ensure the necessary engagement by colleges and any other support required to ensure consistent and timely progress towards the Infrastructure Investment Plan as recommended in CIS. The Infrastructure Investment Plan is expected to include:

- A college specific description of the investment required in college estate and an estimate of its value to support colleges in delivering their strategic plans.
- Potential funding solutions for the proposed capital investments.
- A revised, transparent, evidenced-based process for assessing, prioritising, and allocating capital funding
- Recommendation for long-term governance arrangements and delivery options.
- Formal reporting procedure to enable SFC and Scottish Government to provide support and oversight.

The Strategy Delivery Group members will support the delivery plan by:

- being an advocate of the CIS, ensuring cross-sector buy-in and engagement to the CIS delivery process
- proactively supporting delivery of the work packages, particularly in relation to the development of an agreed set of criteria for benchmarking the college estate and criteria for college SOCs
- review progress and outputs of the work packages
- communicating progress with the delivery including outputs and milestones achieved.

Chair

The Strategy Delivery Group will be Chaired by SFC.

Secretariat

The Secretariat will be provided by SFC.

Membership

Membership to the group is by invitation from the Chair – Richard Maconachie, SFC.

Meetings

All meetings will be hybrid, with the opportunity to join via MS Teams, or in person.

Meetings will be held on a quarterly basis until the Infrastructure Investment plan is finalised.

College Infrastructure Strategy Delivery Plan - Feedback

Summary

Colleges Scotland recently invited colleges to share their views on the final draft of the College Infrastructure Strategy Delivery Plan. These comments have been collated to shape this response on behalf of the college sector. There is an overarching view that the proposed timelines to deliver on the Strategy are too ambitious, with some already in the past. Specific feedback relating to each of the work packages is included below.

Work Package 1 – Governance and Guidance

In terms of governance and guidance, colleges felt it would be helpful for a revised timeline to be issued, as many of the timescales indicated have now passed. It would be useful for colleges to have sight of the remit of the Strategy Delivery Group (SDG) once agreed. There was also a suggestion that rather than a short-life group, the (SDG) could meet on an ongoing basis to ensure the college sector are delivering against the Infrastructure Strategy.

Work Package 2 – Baselining Estate Condition

The following comments were received:

- How will net zero investment be captured, as many organisations have yet to develop net zero plans.
- Can the plan consider existing data as some colleges already have conditions surveys in place.
- There is an opportunity to learn from the 2017 approach, as it is important to ensure that a clear picture of the long-term infrastructure needs is developed, rather than just short-term issues.
- Consideration needs to be given to changing demand for physical versus digital estate.

Work Package 3 – Consideration of existing and alternative capital investment and funding models

The following comments were received:

- This is a welcome approach to consider ideas from outside of the college sector.
- The Infrastructure Investment Plan cannot be an exhaustive list of investment requirements and must consider strategic context in terms of developing innovative delivery models and partnership opportunities which will drive efficiencies.
- Agreed space modelling parameters and optimum use of facilities which aligns with modern tertiary education models must form the basis of any new investment proposals.
- Funding will be required for the 2038 public buildings zero carbon project and to meet targets.
- There needs to be a Centralised Hub to share alternative funding models and sector case studies.

Work Package 4 – Future Operating Models

The following comments were received:

- It would be helpful to share best practice examples across the college sector and/or regions.

- The timeline should reflect the engagement required to achieve the actions and milestones identified in this work package.
- Alternative methods of delivery need time to be considered, trialled, and approved.
- How will best practice be identified?
- How will this work impact on that of Work Package 2 – Baselining Estate Condition?

Work Package 5 – Development of SCIM (Scottish Capital Investment Manual) / Revised Capital Decision Point Process

The following comments were received:

- The SCIM proposal and approval process requires a clear timeline to support the planning process. Work collaboratively with APUC to ensure support and value for money.
- Is there any opportunity for collaborative working to allow colleges to input into this work package?

Work Package 6 – Development of Strategic Outline Cases (SOC) by college region

The following comments were received:

- Many colleges will require to complete SOCs for multiple buildings and/or campuses, therefore the current timeline of completion (January 2024) is ambitious.
- It is important to ensure consistency across the board and centralised support for the completion of SOCs.

Work Package 7 – Preparation of Infrastructure Investment Plan (IIP)

The following comments were received:

- Funding models should be revised so that colleges can plan over a longer period of time. Capital investment across multiple years rather than a single year would be preferable.
- Is it the intention that the IIP will provide a prioritised list of investments within the sector?

Other Comments

The following comments were received:

- The key to the proposals is to develop modern service delivery models which align with blended learning, hybrid working and digitisation of services which ensures assets are fully utilised.
- The idea of a full infrastructure strategy is one that is welcome however it requires an open, fair, and transparent approach to ensure all colleges have equitable access to the resources required to keep their physical and digital estates modern and fit for purpose.

Colleges Scotland
June 2023