South Lanarkshire College
East Kilbride

FINANCE AND RESOURCES COMMITTEE

NOTICE
There will be a meeting of the Finance and Resources Committee (FRC) at 17.30 on 20 February 2024 in the Boardroom and on Teams. Note: The Chair of the FRC should be in attendance at the ARC and the Chair of the ARC should be in attendance at the FRC.

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** 27 November 2023	Y	GP
04	**Matters Arising from the Previous Meeting**		
05	**Matters for Approval & Reserved Item**		
05.1	Financial Modelling – The Future of South Lanarkshire College in 2024/25	Y	VP-F
06	**Matters for Discussion**		
06.1	Quarter 2 Management Accounts	Y	VP-F
06.2	Cashflow Report	Y	VP-F
06.3	Quarterly Update – Procurement	Y	VP-F
06.4	Quarterly Update – Facilities	Y	P
06.5	Climate Change Emergency Action Plan	Y	P
06.6	Finance Regulations	N	VP-F
07	**Matters for Information**		
07.1	Capital Expenditure Plan	Y	VP-F
07.2	Scottish Funding Council - Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26	Y	VP-F
07.3	Scottish Funding Council – College Infrastructure Strategy Delivery Plan	Y	VP-F
07.4	SPPA employer pension contribution increase 23% to 26%	Y	VP-F
07.5	SPF employer pension reductions	Y	VP-F
08	**Any Other Business**		

09	**Summation of Actions and Dates of Next Meetings** • 15 May 2024 (in place of 20 May 2024) • 27 August 2024		

Key:

C - FRC	Interim Chair of the Finance and Resources Committee
P	Principal
GP	Governance Professional
VP-F	Vice Principal – Finance, Resources and Sustainability

UNCONFIRMED FRC MINUTES

FINANCE AND RESOURCES COMMITTEE

MINUTES	
FRC Committee on 27 November 2023 at 1730 hours in the Boardroom at South Lanarkshire College and via Teams	
Present Clare Gibb, Committee Chair Douglas Morrison Scott Coutts Stella McManus, Principal Paul McGilvery, Governance Professional Vari Anderson, Minute Taker	**In Attendance** Elaine McKechnie, Head of Finance Scott Gray, TU Rep Peter Scott

AGENDA ITEM	
01	**Apologies for Absence** Heather Anderson, Paula Blackadder and Graeme Forrester
02	**Declaration of any potential Conflicts of Interest in relation to any Agenda items** None
03	**Minutes of Previous Meeting** – 21 August 2023 Duly approved.
04	**Matters Arising from the Previous Meeting** None
05	**Matters for Approval**
	05.1 Draft Financial Statements for the year to 31st July 2023; The Committee noted the contents of the statement. The draft financial statements and audit report were approved by FRC and received second approval from ARC with a joint recommendation made to the Board of Management to approve in full. **To be considered in conjunction with** **05.2 Proposed Annual Audit Report to the Board of Management and the Auditor General for Scotland (i.e. report of the external auditors)** The Committee noted and discussed the content of the report. It was noted by the Committee that the key messages are contained within the report and noted the significant challenges colleges across Scotland face both in the sort and medium to longer term. It was further noted that although the

	figures contained in the disclosures and key areas within section 3 comply with guidance, work was required to bring this up to a minimum standard. The recommendation from the external auditor was that this area of work should be reviewed in next year's audit process. The external auditors advised that the fixed asset register should be considered and reviewed as instances of inaccurate records were identified and the current format makes it difficult to analyse. It was noted that the inaccurate records refer to the College estate valuations that are performed on a triennial basis with a resulting uplift or depreciation in value being booked against the Estate assets to reflect that most recent valuation. It appears that the revaluations undertaken were not reflected accurately and work is required to recalculate those accounting adjustments against specific asset values to ensure the Estate value is stated in accordance with the most recent valuation. As an **action point**, College management have committed to a full review of this prior to next year's audit. The Committee raised a concern regarding the difficulty in the stability of the asset register as there are moving components and questioned whether much improvement was required. The auditors advised that some small adjustments would result in significant progress being made. The external auditors noted that they were satisfied with how the College accounted for the pension balance in the accounts. It was further noted that there were accounting adjustments identified from the audit of the Annual Report and Financial Statements which when adjusted contributed to the deficit in the Statement of Comprehensive Income increasing by £0.030 million with a corresponding decreased in the college's net assets. Appendix 1 of the report contains an Action plan for 2022/23, as an **action point,** College management have agreed to implement these recommendations. The external auditors gave their thanks to Stella McManus, Elaine McKechnie and Peter Scott for their co-operation and support throughout the audit process.
06	**Matters for Discussion**
	06.1 Quarter 1 Management Accounts **06.2 Cashflow Report** The Committee noted the financial position for the quarter and the narrative that supports the figures along with the cashflow situation as notified to the Scottish Funding Council and SLT monthly. Elaine McKechnie asked the Committee to be patient regarding Section 3 of the report, Assumptions and Limitations as she is working towards introducing a process to track income and expenditure and any pre-payments. This is to ensure that there is a robust monthly process with an accurate paper trail. It was noted that due to the outstanding pay award, an 'artificial' surplus of £863k has been generated, had the award been paid in the quarter, there would have been a deficit of £559k.

	The Committee were advised that the accounts reflect all relevant financial information as held in the system to 31 October 2023 and were assured that work is ongoing in this area to ensure accuracy and transparency in reporting. The Committee advised that it would be beneficial for a half-year review to be reported on against the budget to quarter 2 along with projection recommendations, this is noted as an **action point** for Elaine McKechnie. The Committee raised a concern in terms of Section 5, 'Management Accounts: Income' regarding a main risk being that the College is more reliant on Scottish Funding Council grants, the total funding provided by the SFC for 2022/23 was 82% (81% in 2021/22) which was above the national average of 78% for 2021/22. This is indicative that there may be other sources of income yet to accrue. It was noted that the management team are being proactive regarding this and have pushed for a quick response from curriculum areas, in respect of one area, a report is due by Christmas on income. The Committee supported the reinvestment of £750k into a further 4-month secure deposit account for further interest to be accrued. The Committee were encouraged by the ongoing work to monitor cash flow and the realisation of additional income through higher interest bank accounts, noting the current rate as 4.19%. **06.3 Quarterly Update – Procurement** The Committee noted the progress being made regarding procurement processing and procedures and that 3 single source contacts have been placed and 3 tendered contracts have been awarded in the period. Further, the Committee noted the significant saving of £168k over 4 years having been confirmed on 4 projects. The Committee were advised that the additional resource provided by APUC continues to allow the College to address the replacement of major contracts and services, of which there are currently 12 in process. The Committee raised a concern that although the APUC framework works well for large contract tendering works it does not support small local businesses. It was suggested that as an entrepreneurial campus and 'civil anchor' in the community, the College should consider how to engage and procure local businesses. It was agreed by College Management that this would be beneficial for the College and local businesses and as an **action point,** this is an area that procurement will explore. In terms of savings being made, the Committee advised that it would be beneficial to have accumulative savings to be added to the report. The Committee were advised that this should be included in future reports however it was not available for this meeting as it's not yet finalised. It was raised by the Committee that although steps are being made in the right direction regarding sustainability and carbon reduction, the reference to 'disposable' towels is inconsistent with this ethos and 'biodegradable' is a more effective term. It was suggested that continued consideration be given to how the College can get better value whilst reducing their carbon footprint. **06.4 Quarterly Update – Facilities** The Committee noted the terms of the report.

	The Committee were advised that the building survey has now been carried out and the College has identified key areas for priority work both internally and externally. An update was provided on the College's service providers RAG Status (Red Amber Green) noting that some providers are part of the procurement process. Further, the Committee noted that sustainability charts are being used to report on the College's energy consumption, solar PV generation, waste and water to provide a visual representation of usage. The Committee raised concern regarding the red status for CCTV and Security Systems Access and queried whether the College could link into Crime Prevention and Community policing regarding security. It was highlighted that a 24 hour security infrastructure could be introduced and noted that it may be beneficial to speak to UWS or another local university to engage with the services they provide. As an **action point,** Craig McLaughlin will provide contact details for the security at Strathclyde University for enquiries to be made. The Committee noted that the College submitted a bid for pre-capital money from the Scottish Government to carry out surveys for future work to be carried out such as External Wall Insulation and Ground Source Heat Pumps. This funding will allow for forward planning for building maintenance and working towards net zero. The Chair of the Committee noted that it would be good to see additional insulation being introduced to assist the building in retaining heat. **06.5 Review of the annual workplan of the Committee** The Committee considered the papers and reviewed the workplan and the decision was taken this item would be deferred for further inputs outside of the meeting. As an **action point**, Elaine McKechnie will include a draft annual report for the FRC Committee.
07	**Matters for Information**
	07.1 Capital Expenditure Plan The Committee considered the papers and noted the level of capital investment that has been identified by management at approximately £354k however projects have been valued at circa £590k and were advised that the College is prioritising essential building work over the coming years. It was also noted that the College is trying to obtain funding from other sources to address these requirements such as funding from the Scottish Grants Energy Efficiency scheme.
09	**Any Other Business** There being no other business the meeting was declared closed.
10	**Summation of Actions and Dates of Next Meetings** The Clerk summarised the actions and decisions and the action points are as above minuted. The next scheduled Committee meeting was set for **26 February 2024**

FINANCE & RESOURCES COMMITTEE

DATE	20th February 2024
TITLE OF REPORT	Quarter 1 Management Accounts & Cashflow
REFERENCE	06.1
AUTHOR AND CONTACT DETAILS	Elaine McKechnie – VP Finance, Resources & Sustainability Elaine.McKechnie@slc.ac.uk
PURPOSE:	To update Committee on actual financial results for the quarter ending 31 January 2024 in conjunction with a projection of cashflow based on actual income and expenditure to 31 January 2024.
KEY RECOMMENDATIONS/ DECISIONS:	Members are asked to: • note the financial position for the quarter and the narrative that supports the figures; • note the cashflow situation as notified to Scottish Funding Council and the SLT monthly
RISK	The main risks are to: • Going concern; that the College cannot maintain financial sustainability and is unable to provide high quality education and support to its students; and that • There are insufficient funds for capital maintenance and maintenance requirements.
RELEVANT STRATEGIC AIM:	• The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• The report contains a summary of income and expenditure for first quarter to 31 January 2024, resulting in a YTD surplus of £547k because additional fee income recognised during the second quarter. The full year expected position is a deficit of £644k. • The findings of the quarterly management accounts process suggest that the there is still some work to be undertaken to fully embed a month end process by the last quarter of the year. The process will aim to provide for all income and expenditure in the correct period. • Nevertheless, the accounts reflect all relevant financial data as held in the system to 31 January 2024 and the Committee should be assured of on-going work in this area to ensure heightened accuracy and transparency in results reporting going forward.

	- The cash flow report submitted to the SFC is yet again a stark reminder of how precarious College funds will be once salary awards and general ongoing inflationary pressures are factored in. While there may be circa £2m in the bank at the of the year, with further cuts to grant funding in real terms, this would be eroded in 2024-25 in the absence of a strategic review and rationalisation of operations in the current year. - The Committee should also be encouraged by the work that is on-going to monitor cash flow and realise additional income through bank accounts with greater interest earning potential. - Cashflow continues to be a priority and concern for the College as highlighted here and in the financial modelling exercise. The forthcoming Business Plan that will be presented at the next committee meeting in May 2024 should help to provide further clarity on strategic priorities that will aim to preserve and enhance cash balances.

1. INTRODUCTION

1.1. This paper provides an overview of actual financial results for the quarter ending 31 January 2024 in conjunction with a projection of cashflow for academic year 2023-24 based on actual income and expenditure to 31 January 2024.

2 BACKGROUND

2.1 The financial results to 31 January 2024 and the cashflow contained within this paper continue to paint a very familiar picture within the wider College sector, with depleted income levels and rising costs owing to a variety of generic inflationary pressures and geopolitical factors.

2.2 Owing to the ongoing uncertainty of salary awards and the potential impact likely salary increases will have on College finances, the paper heightens the requirement for the College to undertake a wider strategic review of its operations imminently to ensure the implementation of new initiatives that drive efficiencies, maximise value and identify new and diverse income streams.

2.3 The preliminary budget announcements for 2024/25 also heighten the requirement for this strategic review and the financial modelling exercise presented at this Committee meeting will lead to the formal production of a business plan which will help to clarify the College's strategy going forward in this time of fiscal uncertainty.

3 ASSUMPTIONS AND LIMITATIONS

3.1 The Committee is asked to consider the limitations of the management accounts process at this current stage in the academic year; primarily:

3.1.1 The management accounts have been prepared at 09 February 2024. Utilising Power BI modules, progress has been made in identifying the potential value of income at each calendar month end and work is ongoing to embed this information into a more formal month end process by the last quarter of the year.

3.1.2 The financial data within the accounts has been verified to the accounting system as at 31 January 2024. While some of the more material adjustments have been made for amounts that relate to the period but have not yet been realised, full provision of accruals and prepayments for income and expenditure has not been factored into the management accounts for quarter ending 31 October 2024. Finance are currently enhancing this feature of monthly reporting for subsequent quarterly outputs and is now targeting the last quarter of the year for implementation by May 2024 month end.

3.1.3 As per October 2023, the full year budget deficit of £761k reflects the least likely scenario of a 3% salary per annum award at this stage, given that no such increase has yet been communicated.

3.1.4 The half year budget to 31 January 2024 has been phased to take account of known factors while other lines of the income and expenditure budget are a 6-month pro-ration of the full year expected totals.

3.1.5 The full year forecast for 2023/24 has been adjusted to take account of the more realistic salary settlements of £3,500 per annum for lecturing staff and £1,500 per annum for support staff by the end of 2023-24. Furthermore, the forecast continues to reflect the budget for capital expenditure and net depreciation expense in the absence of monthly fixed asset reporting.

3.1.6 The Committee is advised to note that the full year deficit of £644k in these management accounts is not the same as the forecasted financial statement full year deficit of £917k, as found in the financial modelling paper. This is because, as noted above, the management accounts do not currently incorporate all monthly income and expenditure deferrals and accruals and the financial statement deficit was intended to more accurately reflect the final statutory accounts position, with estimates of annual adjustments in respect of fixed asset depreciation and previously deferred grant funding balances being released to the income statement in the current year.

4 MANAGEMENT ACCOUNTS: OPERATING SURPLUS/(DEFICIT)

4.1 Being mindful of the limitations above, the College recognised an operating surplus of £547k YTD, reflecting the increase in fee income from August intake that has finally been realised at the mid-year point. However, despite the half year results giving a favourable surplus, the anticipated full year deficit of £644k (versus the budget deficit of £761k) continues to indicate the financial pressures that are being felt sector-wide and further emphasise the requirement for closer monthly financial monitoring.

5 MANAGEMENT ACCOUNTS: INCOME

5.1 Total income of £8,417k has been received in the first half of the year, with £6,853k relating to Scottish Funding Council (SFC) grants, representing 81.4% of total income. SFC grant funding accounted for 82% of the college's income in 2022/23 (81% in 2021/22) and the national average, based on the SFC's review of 2021/22 college data, was 78%, which appears to be consistent with the result at 31 January 2024. Over the last quarter since October 2023, meetings have occurred internally with relevant staff to look at income recognition procedures for the month end process that the Finance team intend to put in place from May 2024 month end onwards.

5.2 Funding from the Scottish Funding Council of £6,853k has been receipted across August – January 2024 in line with monthly drawdown submissions.

5.3 FWDF contains a £31k release of an overprovision in respect of 22/23 FWDF monies during the second quarter. This has been partially offset by the receipt of £15k in the first quarter for 22/23 FWDF additional offers from the SFC.

5.4 Fees were previously recorded at £141k for the first quarter. A further £625k of SAAS funding for fees was received in January 2024 in respect of August enrolments. This had not been previously factored into fee accruals but will form part of the month end process going forward. Separately, additional invoices for the August and some of the January enrolment process have been raised by 31 January 2024 of £371k. (Total £1,137k YTD).

5.5 Alternative Funding of £130k primarily represents a provision for modern and foundation apprenticeship income for the second quarter of the year to January 2024.

5.6 Other income of £313k includes £254k of SDS Modern Apprenticeship income, £46k of UK Shared Prosperity Fund income for numeracy skills and £7k for Lanarkshire Communities Climate Action Hub; all realised during this second quarter.

6 MANAGEMENT ACCOUNTS: EXPENDITURE

6.1 Wages and salaries are £5,420k YTD, being under budget by £754k. This reflects a difference in phasing of budgeted cost against the actual pattern of salary expenditure by the mid-year point. Nevertheless, salaries are expected to land on £13,522k at year end against a full year budget of £13,714k which is in line with full year expectations. The YTD actual spend now includes a provision of £1.5k for salary awards up to 22/23 despite the awards not yet been agreed.

6.2 Non salary expenditure/overheads of £2,450k (versus £2,359k budget) are overspent by £92k YTD. Property spend is overspent by £176k reflecting increased utility prices and general inflationary increases impacting on routine service and maintenance contracts; further impacted by the increasing age of the building and the requirement to access services more frequently. Similarly, academic supplies are overspent by £155k, reflecting raw material cost increases during the cost of living crisis; timber, metal and other building supplies. As per the first quarter, while some adjustments have been made, these results do not include full adjustments for elements of costs that should be deferred into future periods or incorporated into this quarter and the Finance team is targeting the incorporation of these provisions and adjustments in full for May 2024 month end.

6.3 The capital funds from SFC of £218k reflect the intention of the College to utilise 25% of its full capital funding allowance on routine facility maintenance and servicing works. The residual 75% (£652k) will be capitalised on capital expenditure projects undertaken during 2023/24.

6.4 Net depreciation refers to the cost of depreciation that is met through self-funding initiatives as opposed to specific grant funding received and amortised at the same rate as the underlying asset depreciates. No depreciation is formally recognised mid-year as fixed assets tend to be reconciled at year end only. This will be reviewed as part of the month end process. The prior year net depreciation figure for 2022-23 was £593k and against a budget of £620k. Therefore, a pro-rated value of £320k has been assumed at the half year stage as a reasonable estimate.

7 CASH FLOW

7.1 The College makes its 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.

7.2 The attached document covers the College's January drawdown and forecast and contains assumptions on the phasing of major capital expenditure spends. As per the first quarter of the year, it again highlights that the cash position will be precariously balanced by the end of the year, even with expected flat cash salary awards of £3,500 and £1,500 for lecturing staff and support staff respectively. Despite continued cash reserves of circa £2m on this submission, the lack of control around the setting of salary rates and the potential for further increases will likely to continue to erode cash balances through 2024-25, in the absence of a strategic review taking place this year to rationalise expenditure and seek initiatives for income growth and income diversification.

7.3 The College continues to monitor its cashflow regularly and creates opportunity for some bank interest generation on balances held via bi-weekly transfers between the current account and a current reserve account with higher interest generation potential. Furthermore, with the £750k on a 4-month short term deposit account expiring 02/04/2024, the College would recommend that a further deposit be placed into a short-term deposit account for a further period, should financial circumstances support that decision nearer the time.

7.4 In terms of other cash flow tracking initiatives, the College continues to bring greater awareness of cashflow to the Senior Leadership Team (SLT) monthly to help guide and influence more financially astute decision making across all operations. The SLT is presented with a short term monthly cashflow for the forthcoming month, with explanation given for any material deviation each month.

7.5 Cashflow continues to be a priority and concern for the College as highlighted here and in the financial modelling exercise. The forthcoming Business Plan that will be presented at the next committee meeting in May 2024 should help to provide further clarity on strategic priorities that will aim to preserve and enhance cash balances.

8 QUARTERLY MANAGEMENT ACCOUNTS TO 31 JANUARY 2024

Management Accounts to 31st January 2024		Note	6 Months to Jan 2024 2023/24			12 Months to Jul 2024 2023/24		
			Actual	Budget	Variance	Forecast	Budget	Variance
			£'000	£'000	£'000	£'000	£'000	£'000
INCOME								
	SFC - Grant in Aid	1	6,505	6,505	0	13,724	13,724	(0)
	SFC - ESF	2	65	176	(110)	316	375	(59)
	SFC - Capital (Revenue)	3	218	435	(217)	218	870	(653)
	SFC - Salaries Contribution	4	51	89	(37)	177	177	0
	SFC - Other	5	14	0	14	0	0	0
	Total SFC income		**6,853**	**7,204**	**(351)**	**14,434**	**15,146**	**(712)**
	FWDF	6	(15)	150	(165)	499	360	139
	Fees	7	1,137	738	399	1,982	1,726	256
	Alternative Funding	8	130	104	27	130	207	(77)
	Other income	9	313	35	278	68	69	(1)
Total Income			**8,417**	**8,230**	**187**	**17,113**	**17,508**	**(395)**
EXPENDITURE								
Wages & Salaries								
	Recurrent		5,471	6,071	599	13,669	13,507	(162)
	SFC - salaries contribution		(51)	89	140	(177)	177	354
	Pension Provision		0	15	15	30	30	0
		10	5,420	6,174	754	13,522	13,714	192
Non Salary Expenditure								
	Property	11	656	480	(176)	1,160	960	(200)
	SFC - Capital	Contra	218	435	217	218	870	653
	SFC - Other	Contra	0	0	0	0	0	0
	Net Depreciation	12	310	310	0	620	620	0
	Central Services	13	422	396	(26)	891	950	59
	Marketing	14	28	60	32	98	130	32
	Academic supplies	15	799	644	(155)	1,209	970	(239)
	Cross College Costs	16	18	34	16	39	55	16
			2,450	2,359	(92)	4,235	4,555	320
Total Expenditure			7,871	8,533	662	17,757	18,269	512
Surplus / (Deficit)			**547**	**(303)**	**849**	**(644)**	**(761)**	**117**

9 MONTHLY CASHFLOW SUBMITTED TO THE SFC

Monthly cashflow forecast:	SLC				February												
	Actual										Current	Forecast					Totals	
	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	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Current	Forecast	Forecast	Forecast	Forecast	Forecast	FY 2023-24	AY 2023-24
RDEL																		
Income from foundation (revenue)																	0	0
Other Income excluding EMA (revenue)	403,167	753,057	118,176	129,917	72,714	125,923	287,117	86,900	421,489	1,116,156	129,784	108,994	84,666	116,883	98,438	87,937	3,753,393	2,737,000
RSB funding			0	0													0	0
Total RDEL income (excluding drawdown)	**403,167**	**753,057**	**118,176**	**129,917**	**72,714**	**125,923**	**287,117**	**86,900**	**421,489**	**1,116,156**	**129,784**	**108,994**	**84,666**	**116,883**	**98,438**	**87,937**	**3,753,393**	**2,737,000**
Wages and Salaries	1,114,313	862,776	859,528	1,291,830	585,862	783,317	768,856	1,016,108	1,095,290	1,083,736	1,367,485	1,313,004	1,333,059	1,032,144	1,339,862	1,794,458	12,142,106	13,513,183
restructing costs																	0	0
Other Operating Expenditure excl' EMA	263,048	746,556	633,368	487,770	523,772	655,974	639,319	499,318	327,597	355,073	224,481	220,000	115,000	280,000	250,000	300,000	5,576,276	4,390,535
NPD Unitary charges (paid by colleges)																	0	0
Donation to Foundation																	0	0
High priority backlog- resource																	0	0
Lifecycle maintenance resource						0	0	0	0	0	108,750	108,750	0	0	0	0	217,500	217,500
Student Support expenditure (excluding EMA)	613,208	361,088	88,679	0	0	117,468	213,919	800,409	411,604	275,252	541,468	451,223	614,876	362,070	335,000	331,814	3,874,319	4,455,104
Total RDEL expenditure	**1,990,570**	**1,970,420**	**1,581,574**	**1,779,600**	**1,109,635**	**1,556,759**	**1,622,094**	**2,315,836**	**1,834,491**	**1,714,061**	**2,242,185**	**2,092,978**	**2,062,935**	**1,674,214**	**1,924,862**	**2,426,273**	**21,810,202**	**22,576,321**
Net RDEL expenditure (a)	**-1,587,403**	**-1,217,363**	**-1,463,398**	**-1,649,683**	**-1,036,921**	**-1,430,836**	**-1,334,977**	**-2,228,936**	**-1,413,003**	**-597,905**	**-2,112,401**	**-1,983,983**	**-1,978,269**	**-1,557,331**	**-1,826,424**	**-2,338,336**	**-18,056,809**	**-19,839,321**
CDEL																		
Income from foundation (capital)																	0	0
Proceeds of sale of fixed assets																	0	0
Other income (capital)	176,519				216,892		81,693	86,105									561,209	384,690
Total CDEL income	176,519	0	0	0	216,892	0	81,693	86,105	0	0	0	0	0	0	0	0	561,209	384,690
Backlog maintenance capital					74,454	120,860	76,329					136,274					407,917	407,917
Lifecycle maintenance capital		99,311			125,000						36,249	83,334					343,894	244,583
Digital poverty											40,617	20,308	20,308				60,925	81,234
Other capital expenditure (land, buildings, fixtures, IT)	265,305		74,503	436,808				86,105	42,720								905,441	128,825
Work in Progress (Assets Under Construction)																	0	0
Surrender of proceeds																	0	0
Total CDEL expenditure	265,305	99,311	74,503	436,808	199,454	120,860	76,329	86,105	42,720	0	76,866	239,916	20,308	0	0	0	1,718,177	862,559
Net CDEL expenditure (b)	-88,786	-99,311	-74,503	-436,808	17,439	-120,860	5,364	0	-42,720	0	-76,866	-239,916	-20,308	0	0	0	-1,156,968	-477,868
ODEL																		
Capital Loan/Lennartz Repayments (c)																	0	0
EMA																		
EMA income	4,370	4,770	8,430	7,500	2,340		1,320	2,640	8,370	11,580	4,020	5,400	8,800	4,400	5,100	8,700	60,740	62,670
EMA expenditure	4,770	8,430	7,500	390	0	1,350	2,610	8,370	12,390	4,020	5,400	8,800	4,400	5,100	8,700	6,500	64,030	67,640
Net EMA (d)	-400	-3,660	930	7,110	2,340	-1,350	-1,290	-5,730	-4,020	7,560	-1,380	-3,400	4,400	-700	-3,600	2,200	-3,290	-4,970
Total Net Outflows/(Inflows) (a) +(b)+(c)+(d)	**-1,676,589**	**-1,320,334**	**-1,536,971**	**-2,079,381**	**-1,017,142**	**-1,553,046**	**-1,330,903**	**-2,234,666**	**-1,459,743**	**-590,345**	**-2,190,647**	**-2,227,300**	**-1,994,177**	**-1,558,031**	**-1,830,024**	**-2,336,136**	**-19,217,067**	**-20,322,160**
Opening Bank Balance	**3,250,188**	**3,278,599**	**3,712,701**	**3,784,962**	**3,261,244**	**3,811,637**	**3,438,714**	**3,482,603**	**2,969,092**	**3,232,859**	**4,191,664**	**3,925,365**	**3,396,270**	**3,141,468**	**3,127,884**	**2,888,880**		
Net Cash Available	1,573,599	1,958,265	2,175,730	1,705,581	2,244,102	2,258,591	2,107,811	1,247,937	1,509,349	2,642,513	2,001,017	1,698,066	1,402,093	1,583,437	1,297,859	552,744		
SFC Cash Drawdown Total	1,705,000	1,754,436	1,609,232	1,555,663	1,567,535	1,180,123	1,374,792	1,721,155	1,723,509	1,549,151	1,924,348	1,698,204	1,739,375	1,544,446	1,591,021	1,538,105	19,363,149	19,151,765
Closing Bank Balance	**3,278,599**	**3,712,701**	**3,784,962**	**3,261,244**	**3,811,637**	**3,438,714**	**3,482,603**	**2,969,092**	**3,232,859**	**4,191,664**	**3,925,365**	**3,396,270**	**3,141,468**	**3,127,884**	**2,888,880**	**2,090,849**		

10 SHORT TERM MONTHLY CASH FLOW FORECAST TO SLT FEBRUARY 2024

South Lanarkshire College				
Short term cash flow forecast				
February 2024				
Balance at 31 January 2024	**A**	**4,166,000**	Note anticipated actual balance of £3,710,000 (This did not factor in SAAS receipts of £625K mid Jan 2024.)	
		Expected	**Actual**	
Inflow				
SFC grant in aid drawdown		1,084,000		Month 7 of drawdowns
SFC student support drawdown		523,000		Month 7 of drawdowns
SFC other grant drawdown		317,000		Month 7 of drawdowns (Digital Poverty & Capital Maintenance)
		1,924,000		
Other (inc. fees)		175,000		
Expected inflow for February 2024	**B**	**2,099,000**		
Outflow				
Salaries - net pay		(600,000)		Payable 26th February 24
Salaries - deductions		(468,000)		Employee & employer salary contributions for Jan 24 payable in Feb 24.
Student support		(523,000)		
Purchase ledger		(400,000)		Total outstanding commitments = £311k + £50K aged creditor balance at 31 Jan 2024 (anticipated to be payable prior to Feb 2024)
Grant expenditure				
Expected outflow for February 2024	**C**	**(1,391,000)**		
Movement during the month	**(B - C) = D**	**708,000**		
Expected cash at 31 February 2024	**(A - D) = E**	**4,874,000**		
Sums ring-fenced & carried forward from financial year 2022/23				
Salary award at 1 September 2022		707,000		
Job evaluation - unfunded		678,000		
Capital expenditure		0		Per CAPEX schedule - full £1m earmarked in 2022/23 has been spent
ESF clawback provision		131,000		
Building retention		32,000		
Student funding to be repaid		99,000		
Apprentice support fund		6,000		
	F	**1,653,000**		
Provisions for items not in 2023/24 budget				
Professional fees		350,000		Includes £50K provision for pension consultancy
ET		?		
Difference between 5% and 3% salary award		260,000		
	G	**610,000**		
Funds to be retained from cash balance				
	(F + G) = H	**2,263,000**		
Free funds forecast at 29 February 2024	**(E - H) = J**	**2,611,000**	**Note: one month's salaries = £1.2m**	
Major contract income receivable in respect of previous financial years				
CITB income		0		
		0		
SNIPEF income		0		
Major contracts income receivable		0		

11 EQUALITIES

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

12 RISK AND ASSURANCE

12.1 The main risks are to:

12.1.1 Going concern; that the College cannot maintain financial sustainability and is unable to provide high quality education and support to its students; and that
12.1.2 There are insufficient funds for capital maintenance and maintenance requirements.

13 Assurances are given by the College that work will progress to provide greater accuracy and transparency in monthly reporting for the final quarter of the year. Furthermore, the College is committed to monitor its cashflow in both the short and long term and with more robust monthly reporting, the College will continually aim to be proactive in managing its finances against the context of a challenging year due to sectoral funding cuts and general inflationary pressures.

14 RECOMMENDATIONS

15 Members are recommended to:

16 note the contents of the report, the financial position for the quarter and the narrative that supports the figures;

17 note the longer term cashflow situation as notified to Scottish Funding Council and the short term cashflow situation as presented to the SLT monthly; and

18 support the potential reinvestment of a sum into another secure deposit account for further interest generation potential when the current deposit expires on 02 April 2024, subject to financial circumstances at that time. The value and timeframe of any subsequent deposit will be passed to the Committee for its approval in March 2024 via email when final budgets have been announced and pending any further clarity on pay disputes being settled at that point.

Finance and Resources Committee

DATE	20th February 2024
TITLE OF REPORT	Procurement Update
REFERENCE	06.3
AUTHOR AND CONTACT DETAILS	Sue Hampshire, Procurement Manager Sue.Hampshire@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 contents of the annual procurement report for 2022-23 as an appendix to this report, demonstrating the level of work that has been undertaken in this area.
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. • The College does not have sufficient resource to undertake full procurement initiatives.
RELEVANT STRATEGIC AIM:	• The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• 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. • The report sets out the stage of each tender for contracts currently undergoing or in the early stages of the procurement process. • Procurement strategy objectives are firmly embedded within each process; namely to conduct procurement activity in a way which is good for Businesses and their Employees; Good for Places and Communities; Good for Society; and Open and Connected. • Sustainability continues to be a key focus in Procurement and opportunities to build sustainability into each contract will continue to be considered. • 2022-23 saw 5 regulated procurements completed for goods and services worth more than £50,000 and works worth more than £2,000,000 (excluding VAT). These totalled £721,279 (excluding VAT). There were 6 regulated procurements completed for goods and services worth less than £50,000 and works worth less

	than £2,000,000 (excluding VAT). These totalled £118,141 (excluding VAT). • In 2022-23, total delivered cash savings for the period covered by the annual procurement report of £101,214 were realised and total non-cash savings value for the period covered by the annual procurement report £338,765. • Work continues across the College to highlight the importance to staff of fully engaging in the procurement process when considering any interaction with a prospective supplier or contractor. 85.04% of total procurement expenditure in 2022-23 was through a compliant procurement process. This was made up of approximately 35.15% of the College's contracted spend which is through local contracts and quotations managed by departments and approximately 49.88% is through Collaborative Framework Agreements. The overall percentage of Collaborative Framework Spend has yet to be qualified by APUC Ltd.

1 OVERVIEW

1.1 The College is continuing to make progress on procurement process and procedures and is currently working towards refreshing all procurement procedures, processes and templates; training on which will subsequently be delivered to all staff in due course.

1.2 Previously, the College had a contract with APUC for a 0.5 FTE procurement professional. It has now been established that the position requires a full-time provision and the procurement professional's contract has been changed to 1 FTE as of 03 Jan 2024.

1.3 The additional APUC resource, Chris Harper, who was appointed as a 1.0 FTE Procurement Project Manager, is continuing to work towards completion of specified allocated projects to assist with the current work demands by 30 June 2024.

2 PROCUREMENT ANNUAL REPORT 2022-23

2.1 The Annual Report for the period 1st Aug. 2022 – 31st Jul 2023 is attached as an appendix. The main themes from the report are as follows:

2.1.1 The College engaged with 338 active suppliers over the reporting period and the total procurement expenditure excluding VAT was £3,049.723. This comprises of £1,956,068 (64 %) of regulated expenditure and £1,093,655 (36%) of below regulated expenditure.

2.1.2 There were 5 regulated procurements completed for goods and services worth more than £50,000 and works worth more than £2,000,000 (excluding VAT). These totalled £721,279 (excluding VAT).

2.1.3 There were 6 regulated procurements completed for goods and services worth less than £50,000 and works worth less than £2,000,000 (excluding VAT). These totalled £118,141 (excluding VAT).

2.1.4 Throughout all procurement exercises, the College continues to optimise use of national, sectoral, local, or regional C1 collaborative contracts and frameworks. As well as bringing leverage-based savings, the burdens of risk, contract and supplier management are shared and the number of resource-intensive formal local tenders that need to take place is reduced significantly.

2.1.5 The College aims to conduct its procurements in an open and inclusive manner with the procurement strategy objectives, namely to conduct its procurement activity in a way which is good for Businesses and their Employees; Good for Places and Communities; Good for Society; and Open and Connected.

2.1.6 The College has made use of collaborative contracts to deliver improved contract terms, supported contract and supplier management, sustainable procurement outcomes and value for money (the best balance of cost, quality, and sustainability).

2.1.7 In making its regulated procurements, every care has been taken to ensure that the College awards the business to suppliers who are capable, reliable and who can demonstrate that they meet high ethical standards and values in the conduct of their business.

2.1.8 The College also reviews each regulated procurement to determine whether it could be fulfilled by a Supported Business, whilst remaining compliant with Scottish Procurement Legislation and ensuring value for money. This also includes social enterprise where appropriate.

2.1.9 South Lanarkshire College successfully gained government funding (£216,000 for a Capital Project from the Green Public Sector Estate Decarbonisation Scheme- Central Government Grant Funding Programme) working towards net zero to add additional photovoltaic panels to the Construction roof space.

2.1.10 Total delivered cash savings for the period covered by the annual procurement report of £101,214 were realised and total non-cash savings value for the period covered by the annual procurement report £338,765.

2.1.11 85.04% of the total procurement expenditure is through a compliant procurement process. This is made up of approximately 35.15% of the College's contracted spend which is through local contracts and quotations managed by departments and approximately 49.88% is through Collaborative Framework Agreements. The overall percentage of Collaborative Framework Spend has yet to be qualified by APUC Ltd.

3 SUSTAINABILITY AND CARBON REDUCTION

3.1 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 the College builds carbon reduction into the tendering exercise as it is important to adjust the working practices to enable us to reduce the carbon footprint. The College has targets for reducing indirect emissions of greenhouse gases and to report on how the College will align spending and use of resources with emissions reduction efforts.

3.2 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.

3.3 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.

3.4 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.

3.5 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

3.6 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.

4 PROCUREMENT PROJECT MANAGER – ALLOCATED WORK

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

4.2 *Table 1: Procurement Project Manager's allocated work*

Contract	Process
Washing Machines inc Maintenance	Framework
Mechanical Maintenance	Open Tender
Biodegradable Towels	Cancelled – Framework will be put in place for this service via APUC.
Trades Framework (Materials)	Open Tender
Minor Works – Joint Framework with NCL	Board Approval
HVAC and associated services	Board Approval
Access Control Purchase and Maintenance and CCTV, Fire and Intruder alarm service	Project initiation
Estates Cleaning Services inc Washroom	Framework

5 SINGLE TENDER ACTIONS – SINCE LAST REPORT

5.1 *Table 2: Single Tender Actions*

Contract	Service Area	Cost	Supplier(s)	Contracted
HR Training	HR	£15,000	ACAS	01/06/2023
Machine Maintenance	Construction	£13,590	The Saw Centre	14/11/2023
Firewall	IT/MIS	£13,485	Smoothwall	07/11/2023
Tracking and Security Systems (Ongoing Support) 440 Licences for a duration of 4 years.	Information Services	£10,000	Prey Inc	15/12/2023

Photography Services for the SLC Marketing Campaign.	Marketing	£2,000	Monument Photos	23/01/2024

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

6 CONTRACT STATUS

6.1 The following contracts are due for renewal:

6.1.1 Table 3: Contracts due for renewal

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

6.2. The following contracts are next to be placed:

6.2.1 Table 4: Contracts to be placed

Contract	Type	Anticipated Procurement Process
Student Records	New	Framework Agreement
Catering Service	Renewal	Open Tender
Access Control Purchase and Maintenance and CCTV, Fire and Intruder alarm service	New	Open Tender

6.3 The following contracts are in the tender process and will be awarded in due course:

6.3.1 Table 5: Contracts currently in the tender process

	Service	Area	Process	Stage	Via
1	Student Records	IT/MIS	Framework Agreement	ITT Preparation	SH
2	Catering Services	Principalship	Open Tender/ Framework	Awaiting Specification Approval via SLT	SH
3	HVAC and associated services	Estates	Open Tender	Award – Board Approval	CH
4	Trade Framework (Materials)	Construction	Open Tender	ITT Preparation	CH

5	Pension Contribution Consultancy	HR	ITQ	Evaluation	SH
6	Minor Works – Joint Framework with NCL	Estates/NCL	Open Tender	Award – Board Approval	CH
7	Access Control Purchase and Maintenance and CCTV, Fire and Intruder alarm service	Estates/IT	Open Tender	ITT Preparation	CH

6.4 The following contracts have been awarded since last report:

6.4.1 Table 6: Contracts that have now been placed via tenders and / or extended

Service	Contracted	Awarded to:	Value	Via
Fresh Meat	15/01/2023	Campbells Meat via Framework Agreement	£50,000	SH
NDEE PSU Consultant	10/10/2023	Mott Macdonald via Framework Agreement	£60,000 (Scottish Fund)	SH
Catering Equipment Repair and Servicing	01/12/2023	NWCE via Framework Agreement	£17,724	CH
Antivirus	12/12/2023	WithSecure via Framework Agreement	£32,000	SH
Gown Hire	18/12/2023	Marston Events	£7,000	SH
'HE Support & Essential Managed Services (Student Records Management System - Maintenance)	13/12/2023	Tribal – 12-month renewal in place for continuation of service whilst the new service goes to tender.	£28,000	SH
Legal Services	01/12/2023	Anderson Strathern - Final Extension to existing contract	£40,000	SH

Plagiarism Services	28/11/2023	Turnitin - Extension to existing contract	£4,750	SH
Tracking and Security Systems (Ongoing Support)	15/12/2023	Prey inc - Approved Single Source Justification for 440 Licences for 4 years	£10,000	SH
VMWare	11/01/2024	Academia via Framework Agreement	£24,000	SH
Qualys VMDR Bundle	11/01/2024	Academia via Framework Agreement	£10,650	SH
Photography Services for Marketing Campaign	23/01/2024	Monument Photos via Approved Single Source Justification	£2,000	SH

1. CONTRACT SAVINGS

7.1 As per the Annual Report for 1 Aug. 2022 – 31 Jul 2023 attached, total delivered cash savings for the period covered by the annual procurement report of £101,214 were realised and total non-cash savings value for the period covered by the annual procurement report £338,765.

8 EQUALITIES

8.1 The College aims to conduct its procurements in an open and inclusive manner with the procurement strategy objectives at the forefront. There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

9 RISK AND ASSURANCE

9.1 That there is a failure of Corporate Governance arrangements and / or Financial Controls where the College does not follow Scottish Government procurement guidance;
9.2 The College does not receive value for money; and
9.3 The College does not have sufficient resource to undertake full procurement due diligence and process.

9.4 The College assures the Committee that in seeking to optimise the use of national, sectoral, local, or regional collaborative contracts and frameworks, the burdens of risk, contract and supplier management are shared and the number of resource-intensive formal local tenders that need to take place is reduced significantly. The College feels sufficiently supported in all procurement exercises particularly as a result of the increase to 1.0 FTE procurement management support from 03 January 2024.

10 RECOMMENDATIONS

10.1 The Committee is asked to:

10.1.1 note the progress being made re procurement processing and procedures and the contracts that have been either completed or put out to tender; and

10.1.2 note the contents of the annual procurement report for 2022-23 as an appendix to this report, demonstrating the significant level of work that has been undertaken in this area.

South Lanarkshire College

Annual Procurement Report

2022-2023

Reporting Period 1st August 2022 – 31st July 2023

Contents

South Lanarkshire College - Annual Procurement Report (APR)

Executive Summary

The Procurement Reform (Scotland) Act 2014 (PRA) requires any public organisation which has an estimated annual regulated[1] spend of £5 million or more to develop a Procurement Strategy and then review it annually. This requirement took effect from 31 December 2016. Organisations (including HE and FE institutions) required to develop and publish a Procurement Strategy were also required to publish an Annual Procurement Report (APR), reflecting on the relevant reporting period of the Procurement Strategy. South Lanarkshire College's annual regulated spend falls below £5 million and is not legally required to publish a Procurement Strategy or Annual Procurement Report however in the interest of transparency, the College has chosen to do so.

This report covers the period of 1st August 2022 to 31st July 2023 and addresses performance and achievements in delivering South Lanarkshire's organisational Procurement Strategy[2]. The Procurement Strategy was developed in consultation and discussion with the Vice Principal of Finance, Resources and Sustainability, and internal & external stakeholders who have an interest in the institutional approach to procurement and its impact. Stakeholder engagement will also feature in the annual assessments of the achievement of regulatory compliance, strategic objectives of the College, value for money [defined as the best balance of cost, quality and sustainability] and delivery against the College's broader aims and objectives, in line with Scotland's National Outcomes. This process of review and reporting will inform any adjustments to the Procurement Strategy deemed necessary to secure future performance improvements and to respond to the economic, political, and financial influences on which the College may need to adjust.

South Lanarkshire College has completed the following procurements during the reporting period:

- Regulated procurements [goods and services worth more than £50,000(excluding VAT); works worth more than £2,000,000 (excluding VAT[3]] amounted to £721,279. (excluding VAT). There were 5 such procurements completed[4].
- Below regulated procurements [goods and services worth lower than £50,000 (excluding VAT), works worth lower than £2 million (excluding VAT)] amounted to £118,141 (excluding VAT). There were 6 such procurements completed.

More detailed information on the regulated and below regulated procurements, sorted into procurement categories, is provided in Sections 2 and 3 and in Annex B of this report.

South Lanarkshire has 338 active suppliers with whom the College did business in the reporting period and the total procurement expenditure excluding VAT was £3,049.723. This comprises of £1,956,068 (64 %) of regulated expenditure and £1,093,65 (36%) of below regulated expenditure.

The College seeks to optimise use of national, sectoral, local, or regional C1 collaborative contracts and frameworks. As well as bringing leverage-based savings, the burdens of risk, contract and

[1]'Regulated' procurements are those with an estimated value equal to or greater than £50k (≥ £12,500 per annum over a four-year contract period excluding VAT) for goods & services (or £2,000,000 excluding VAT for a public works contract)
[2] https://www.south-lanarkshire-college.ac.uk/about-us/procurement/
[3] Current public contracts thresholds
[4] Completed when the award notice is published or where the procurement process otherwise comes to an end - covers contracts and framework agreements

supplier management are shared and the number of resource-intensive formal local tenders that need to take place is reduced significantly.

85.04% of the total procurement expenditure is through a compliant procurement process. This is made up of approximately **35.15%** of the College’s contracted spend which is through local contracts and quotations managed by departments and approximately **49.88%** is through Collaborative Framework Agreements. The overall percentage of Collaborative Framework Spend has yet to be qualified by APUC Ltd.

This report comprises six sections, the first five cover mandatory reporting with the sixth discretionary.

- Section 1: Compliance to the Strategic Objectives
- Section 2: Summary of Regulated Procurements Completed
- Section 3: Review of Regulated Procurement Compliance
- Section 4: Community Benefit Summary
- Section 5: Supported Business

MANDATORY

- Section 6: Future Regulated Procurements
- Section 7: Other Content for Consideration

Report Approved

By:

Signed:

Position:

Section 1: Compliance to the Strategic Objectives

South Lanarkshire College aims to conduct its procurements in an open and inclusive manner with the procurement strategy objectives. Aligning to the Procurement Strategy update 2022-2023, each objective was mapped to the four 'power of procurement' outcomes below, enabled by procurement capability, supplier development, engagement and collaboration.

The College supports the vision of the Public Procurement Strategy for Scotland 2023 to 2028 and delivery of its objectives, namely to conduct its procurement activity in a way which is:

- Good for Businesses and their Employees;
- Good for Places and Communities;
- Good for Society;
- Open and Connected.

This vision was derived by the Public Procurement Group (PPG) in Scotland in consultation with the Public Sector. The PPG provides strategic direction, support and monitors progress on the procurement reform agenda.

The procurement strategy objectives have been aligned with the SFC's Priority Outcomes as further detailed in the College's Regional Outcome Agreement 2021 – 22, the Strategic Priorities in the College's Strategic Framework 2020-2025 and the Strategic Objectives of the Regional Strategy 2018 – 2023 (as current at the time).

Annex E shows the Strategic Priorities, Strategic Objectives, and the College's commentary on compliance to the objectives.

Section 2: Summary of Regulated Procurements Completed

The detailed summary of regulated procurements completed is set out in Annex B. That information, coupled with the publication of the College Contracts Register https://www.apuc-scot.ac.uk/#!/institution?inst=35 and the systematic use of Public Contracts Scotland and Quick Quotes, provides complete visibility of the College's procurement activity over the reporting period.

Annex B shows the regulated and procurements completed by the College. These are separated into contract categories and distinguish collaborative contracts from college only ones. For each completed procurement the information provided shows:

- the expected date of notice
- the date of award
- the start dates
- the end dates
- the category subject matter
- the name of the supplier
- estimated value of the contract – total over contract period

In the interest of transparency, we have included below regulated procurements. These are procurements which are low value, below £50k, where Procurement has still influenced the process.

Section 3: Review of Regulated Procurement Compliance

Where appropriate, South Lanarkshire College has made use of collaborative contracts to deliver improved contract terms, supported contract and supplier management, sustainable procurement outcomes and value for money (the best balance of cost, quality, and sustainability).

In making its regulated procurements every care has been taken to ensure that the College awards the business to suppliers who are capable, reliable and who can demonstrate that they meet high ethical standards and values in the conduct of their business.

In the period covered by this report the College has conducted all its regulated procurements in compliance with the principles of the World Trade Organisation (WTO) Agreement on Government Procurement (GPA) Principles of non-discrimination, transparency, and procedural fairness.

Successful delivery against the Procurement Strategy Objectives is part of a customer valued, Operational Procurement Review (OPR), that seeks incremental improvements to procurement processes and outcomes over time. The most recent assessment was carried out in March 2020 and the College received a score of 61%. This is the first year that the OPR has been scored. The intention is to improve upon this score with a target of 67% for the next assessment due in 2024.

Section 4: Community Benefit Summary

The Procurement Reform (Scotland) Act 2014 (PRA) requires that for every procurement over £4m, South Lanarkshire College must consider how it can improve the economic, social, or environmental wellbeing of its area through inclusion of community benefit clauses, to assist with achieving sustainability in contracts activity, including targeted recruitment and training, small business and social enterprise development and community engagement. Where possible, where relevant and proportionate and where they are considered not to have a negative impact on the delivery of value for money, such clauses may be included in regulated procurements valued at below £4m.

The general College policy on identifying community benefit requirements is to conduct risk and opportunities assessments through stakeholder consultation and engagement – on a case-by-case basis the question is asked, 'could a community benefit clause be usefully included?'

Where applicable to the subject matter of the procurement, the requirement is then built into the procurement specification and/or technical questions and into the eventual conditions of contract performance.

As a small institution, South Lanarkshire College has not tendered for any procurements over £4m in the reporting period (in line with legislation) however has included Community Benefits Clauses in other tenders which fall below the £4m threshold.

These are provided in Section 7 – Other Content for Consideration.

Section 5: Supported Business

Regulated procurements (between £50k and OJEU threshold and those equal to and above the GPA thresholds) are conducted in line with Routes 2 and 3 respectively of the Procurement Journey. Route 3 mandates the use of the Single Procurement Document (SPD (Scotland)) and it is used as good practice for Route 2. The SPD covers exclusion, selection and award criteria and includes questions relating to companies self-certifying themselves in terms of size (micro, small or medium), or whether they are Supported Businesses.

The College reviews each regulated procurement to determine whether it could be fulfilled by a Supported Business, whilst remaining compliant with Scottish Procurement Legislation and ensuring value for money for the institution.

The College did not reserve any contracts for supported businesses in this period however did procure goods through Hey Girls, a social enterprise, at a value of £447.

Section 6 – Future Regulated Procurements

South Lanarkshire College is keen to encourage competition by promoting optimal participation in its procurement process and achieve better value for money in its procurements. One method of achieving this is to give notice to suppliers of tendering opportunities that are expected to commence over the next two financial years after the period covered by this report.

In preparing this forward projection of anticipated regulated procurements, it is difficult to be precise about providing details of actual requirements. Over a forecast period of two years, it is very probable that circumstances and priorities will change so the list of projected individual regulated procurement exercises outlined in Annex D should be viewed with this caveat in mind.

The information provided in Annex D covers:

- the subject matter of the anticipated regulated procurement
- whether it is a new, extended or re-let procurement
- expected award date
- expected start and end date
- the estimated value of the contract.
- contract category A, B, C or C1

In the interest of transparency, we have included below regulated procurements. These are procurements which are low value, below £50k, where Procurement has still influenced the process.

Section 7 –Other Content for Consideration

Responding to Climate Emergency - Decarbonisation of the College Building

South Lanarkshire College successfully gained government funding (£216,000 for a Capital Project from the Green Public Sector Estate Decarbonisation Scheme- Central Government Grant Funding Programme) working towards net zero to add additional photovoltaic panels to the Construction roof space.

To obtain this funding works were required to be completed by 31 March 2023 –, this was used to tender for the supply and installation of 150kw Solar Photovoltaic System to the roof of the college campus in East Kilbride utilising the Scotland Excel – Energy Efficiency Contractors ref 1320 – Lot 4 – Renewable and energy storage measures- Sub-lot 4.1 – Solar Panels.

An additional 150 solar panels have now been installed. South Lanarkshire now have a total of 722 solar panels that are currently generating 237.3 Kwh of energy in total.

FNT2030

The Supply Chain Manager has collated data for From Now To 2030 (FNT2030) under the distinct categorises below, which is the sustainability strategic aims targeted at 2030, linked to the Scottish Universities and College Sectors Supply Chain Climate & Ecological Emergency Strategy 2022 to 2030 (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 throughout 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.

The Supply Chain Manager also attended the Procuring more Sustainable Goods and Services working group which are currently developing further ways to capture sustainability during the procurement process.

Community Benefits

Community Benefit clause was included in the tender process for the following contracts:

- Provision of Multi-Functional Devices
- HR Software - inc Payrole
- Solar PV

Annex A - Annual Procurement Summary

NOTE: reference to contract is also to be construed as meaning a Framework Agreement

1. Organisation and report details

a) Contracting Authority Name	South Lanarkshire College
b) Period of the annual procurement report	1st August 2022- 31st July 2023
c) Required by s18 Procurement Reform (Scotland) Act 2014 to prepare an annual procurement report? *(Yes / No)*	No

2. Summary of Regulated Procurements Completed

a) Total number of regulated contracts awarded within the report period	5
b) Total value of regulated contracts awarded within the report period	£721,279
c) Total number of unique suppliers awarded a place on a regulated contract awarded during the period	5
i) how many of these unique suppliers are SMEs	5
ii) how many of these unique suppliers are Third sector bodies	0

3. Review of Regulated Procurements Compliance

a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	5
b) Number of regulated contracts awarded within the period that did not comply with your Procurement Strategy	0

4. Community Benefit Requirements Summary

Use of Community Benefit Requirements in Procurement:

a) Total Number of regulated contracts awarded with a value of £4 million or greater.	0
b) Total Number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements.	0
c) Total Number of regulated contracts awarded with a value of less than £4 million that contain Community Benefit Requirements	3

Key Contract Information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during the period:

d) Number of Jobs Filled by Priority Groups (Each contracting authority sets its own priority groups)	0
e) Number of Apprenticeships Filled by Priority Groups	0
f) Number of Work Placements for Priority Groups	0
g) Number of Qualifications Achieved Through Training by Priority Groups	0
h) Total Value of contracts sub-contracted to SMEs	0
i) Total Value of contracts sub-contracted to Social Enterprises	0
j) Total Value of contracts sub-contracted to Supported Businesses	0
k) Other community benefit(s) fulfilled	0

5. Fair Work and the real Living Wage

a) Number of regulated contracts awarded during the period that included a Fair Work First criterion.	3
b) Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract awarded during the period.	0
c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract during the period.	2

6. Payment performance

a) Number of valid invoices received during the reporting period.	3397
b) Percentage of invoices paid on time during the period ("On time" means within the time period set out in the contract terms.)	55%
c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains.	0
d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	0

7. Supported Businesses Summary

a) Total number of regulated contracts awarded to supported businesses during the period	0
b) Total spend with supported businesses during the period covered by the report, including:	£0.00

i) spend within the reporting year on regulated contracts	£0.00
ii) spend within the reporting year on non-regulated contracts	£0.00
8. Spend and Savings Summary	
a) Total procurement spend for the period covered by the annual procurement report.	£2,593,464
b) Total procurement spend with SMEs during the period covered by the annual procurement report.	£1,216,534
c) Total procurement spend with third sector bodies during the period covered by the report.	£0.00
d) Percentage of total procurement spend through collaborative contracts.	49.88%
e) Total delivered cash savings for the period covered by the annual procurement report	£101,214
f) Total non-cash savings value for the period covered by the annual procurement report	£338,765
9. Future regulated procurements	
a) Total number of regulated procurements expected to commence in the next two financial years	12
b) Total estimated value of regulated procurements expected to commence in the next two financial years	£1,977,985

*Figure still to be verified by APUC Ltd

Annex B List of Regulated Procurements Completed in the Reporting Period 1/8/22 – 31/7/23

Compliant

Regulated

Agreement Title	Supplier Name	Date of Award	Owner	Contract Start Date	End Date	Extension Period (Months)	Indicative Value over Contract Period	SME Status	Supported Business
Provision of Multifunctional Devices	Capital Document Solutions Limited	15/02/2023	B	03/04/2023	02/04/2027	12	£82,027	Medium	No
HR Software - inc Payrole	MHR International UK Ltd	01/03/2023	C	01/03/2023	29/02/2028	36	£225,611	Large	No
LED Lighting - Supply Only	Edmundson Electrical	28/06/2023	B	03/07/2023	02/12/2023	0	£185,122	Large	No
Recruitment Campaign Services	Aspen People Limited	06/06/2023	B	12/06/2023	11/06/2024	0	£52,000	Small	No
Solar PV	Procast Building Contractors Ltd	03/02/2023	B	03/02/2023	02/04/2023	0	£176,518	Small	No
						Total (ex-vat)	**£721,279**		

Below regulated.

The following below regulated contracts were placed where Procurement influenced the expenditure:

Agreement Title	Supplier Name	Date of Award	Owner	Contract Start Date	End Date	Extension Period (Months)	Indicative Value over Contract Period	SME Status	Supported Business
Kitchen Deep Clean	PLOVER SERVICES LTD	09/05/2023	C	09/05/2023	08/05/2024	12	£14,400	Small	No
Door Planned Preventative Maintenance	Dasco Entrance Technology Ltd	22/05/2023	B	22/05/2023	21/05/2025	12	£10,065	Small	No
Fixed Wire Testing	Comply2 Ltd.	26/01/2023	B	01/02/2023	31/01/2024	0	£16,409	Small	No
Office Supplies	Lyreco	01/07/2023	B	01/07/2023	30/06/2025	0	£30,000	Large	No
Replacement of Landlines (Soft Phones)	Charterhouse Voice and Data Ltd	28/06/2023	B	03/07/2023	02/07/2025	24	£24,000	Medium	No
Taxi Services	East Kilbride Taxi Owners Association	27/04/2023	C1	27/04/2023	26/04/2025	24	£23,267	Medium	No
						Total (ex-vat)	£118,141		

Non-Compliant Spend

The following contract for 22/23 was non-compliant:

Category Subject	Supplier Name	Owner	Value over Contract Period (4 Years - excl VAT)	Compliance Issue	Proposed Solution
One off Consultancy	**SHEPHERD AND WEDDERBURN LLP**	C	£205,505	Procurement process not followed	One off Purchase

Historical Spend >£50k

All other procurements carried out this financial year were carried out compliantly however analysis of 22/23 spend is indicating several areas where the historical value is over a period of 4 years above regulated threshold (>£50k). These areas have been prioritised alongside other contracts requiring renewals and incorporated into a long term forward plan.

Category Subject	Supplier Name	Owner	Value over Contract Period (4 Years - excl VAT)	Compliance Issue	Proposed Solution
Finance- Financial System	**SYMMETRY LIMITED**	B	£128,048	Historical Spend	On Forward Plan
Estates- Mechanical Maintenance	**ECG BUILDING MAINTENANCE**	C	£179,154	Historical Spend	Tender in progress
Estates - Cleaning Services	**INTERFACE ENVIRONMENT MANAGEMENT**	C	£97,865	Historical Spend	On forward Plan - investigate Framework
Marketing Advertising	**PHOENIX OUTDOOR ADVERTISING LTD**	C	£84,950	Historical Spend	On forward Plan - investigate Framework
Construction - Gas Manuals & Accreditation	**BPEC SERVICES LTD**	B	£79,688	Historical Spend	On forward Plan - investigate Framework

Estates - Facilities	**CLEANING & WIPING SUPPLIES**	B	£79,611	Historical Spend	On forward Plan - investigate Framework
Estates & Buildings	**DOCHERTY ELECTRICAL CONTRACTOR**	B	£79,223	Historical Spend	Tender in progress
Estates & Buildings	**DULUX DECORATORS' CENTRE**	B	£75,009	Historical Spend	On forward Plan - investigate Framework
Health & Safety & Security	**CONNELLY SECURITY SYSTEMS**	C	£56,844	Historical Spend	On forward Plan - investigate Framework
Catering Supplies & Services	**E RUSSUM & SONS LTD**	B	£55,284	Historical Spend	On forward Plan - investigate Framework
Workshop & Maintenance Supplies (including Engineering)	**RICHMONDS PLUMBING & HEATING MERCHANT LTD**	C	£51,308	Historical Spend	On forward Plan - investigate Framework

Annex C List of Regulated Procurements with Community Benefit Requirements Fulfilled

The following Community Benefits are being provided via the following Contracts:

Contract Title	Supplier	Community Benefit
Catering Services	Inspire in conjunction with SLC and the Students Association.	As part of the community benefit requirement Inspire provide the following: • Free Breakfast for the Students (porridge) • Subsidised Soup and Rolls • Surplus food given away to students at the end of every week.
Hair and Barber Kits Beauty Products and Kits	College Kits Direct (Previously Capital Hair & Beauty)	**Training budget rebate** CKD will provide the college with a rebate of 5% of the total spend, which can be used to purchase training courses. **Student Spend Rebate** In addition to the above college spend rebate, CKD have given the college an additional 3% rebate **Free of charge products for prizes** Up £250 per department **Access to supplier Masterclasses**

Annex D List of Regulated Procurements planned to commence in next two F/Ys 23/24 & 24/25

Regulated

Agreement Title	New, Extension or re-let	Category	Expected Date of Contract Notice	Expected Date of Award	Expected Start Date	Expected End Date (inc extensions)	Estimated Value over Contract Term (inc extensions)
Provision of Planned and Reactive Maintenance for (Heating, Ventilation and Air Conditioning) and associated services	New	C	06/09/2023	11/01/2023	22/01/2024	22/01/2026	£146,500
Access Control Purchase and Maintenance and CCTV, Fire and Intruder alarm service.	New	C	18/01/2024	12/04/2024	17/04/2024	16/04/2028	£244,000
Trade Framework (Materials)	New	C	22/01/2024	05/03/2024	19/03/2024	18/03/2028	£230,000
Estates Cleaning Services inc Washroom	New	B	18/01/2024	15/02/2024	18/01/2024	11/01/2028	£113,131
Catering Services	Re-let	C	15/01/2024	14/03/2024	09/08/2024	08/08/2028	£100,000
Student Records System	Re-let	B	17/01/2024	12/03/2024	04/03/2024	03/03/2029	£150,000
Window Cleaning Services	Re-let	C	12/02/2024	01/04/2024	01/06/2024	31/05/2028	£60,000
Advertising Services	New	B	13/02/2024	01/04/2024	01/05/2024	30/04/2028	£84,000
Pest Control	New	B	28/03/2024	01/05/2024	01/06/2024	31/05/2028	£54,492
Adobe Creative Cloud & Acrobat Pro & Photoshop	Re-let	B	15/04/2024	01/06/2024	01/07/2024	30/06/2027	£77,862
Fresh Meat	New	B	Direct Award	23/10/2023	23/10/2023	22/10/2026	£150,000
Assessment Services	Re-let	C	01/05/2025	01/10/2025	03/12/2025	02/12/2029	£568,000
						Total	**£1,977,985**

Below Regulated

Agreement Title	New, Extension or Re-let	Category	Expected Date of Contract Notice	Expected Date of Award	Expected Start Date	Expected End Date (inc extensions)	Estimated Value over Contract Term (inc extensions)
Washing Machines inc Maintenance	New	C	12/01/2023	15/01/2024	22/01/2024	29/01/2027	£30,000
Disposable Towels	New	B	09/10/2023	15/01/2024	16/01/2024	15/01/2026	£40,000
Fresh Fruit and Veg	Re-let	B	Direct Award	11/12/2023	13/12/2023	19/11/2026	£45,000
Fresh Fish	New	B	Direct Award	11/12/2023	13/12/2023	19/11/2026	£45,000
With- Secure - Antivirus	Re-let	B	Direct Award	12/12/2023	01/01/2024	31/12/2026	£32,000
Gown Hire	New	B	Direct Award	18/12/2023	08/01/2024	07/01/2028	£28,000
HR Training online training subscription inclusive of Behavioural Training	New	B	Mini Comp /Direct Award	18/02/2023	08/01/2024	07/01/2027	£24,000
Azure Offsite Backup Services	Re-let	B	27/02/2024	30/03/2024	01/04/2024	31/03/2027	£12,792
Psychological Testing Services	Re-let	C	18/03/2024	01/05/2024	10/06/2024	09/06/2028	£36,000
Cyber Essentials Plus Audit	Re-let	C	26/03/2024	03/04/2024	04/04/2024	03/04/2026	£11,808
Inisoft - tequios	Re-let	B	01/05/2024	03/06/2024	05/06/2024	04/06/2027	£26,286
Water Coolers	New	B	12/06/2024	04/08/2024	04/09/2024	03/09/2027	£30,000
Firewalls incl Support	New	B	01/08/2024	01/10/2024	01/12/2024	30/11/2027	£24,732
Legal Services	Re-let	B	01/06/2024	01/12/2024	12/01/2025	11/01/2029	£40,000
IT-Claro Read Pro Software	Re-let	B	08/08/2024	08/09/2024	10/10/2024	09/10/2026	£2,000
Plagiarism	Re-let	C	01/09/2024	01/11/2024	13/12/2024	12/12/2027	£14,250
AFD Postcode Software for Application System	Re-let	B	10/09/2024	10/10/2024	11/11/2024	10/11/2027	£21,600
BPEC Gas Safety Manuals	New	B	18/11/2024	17/12/2024	17/12/2024	16/12/2025	£18,000
Photographic Equipment and Consumables	Re-let	B	01/02/2025	01/05/2025	01/06/2025	31/05/2029	£24,000
Eduserv Chest (JISC license)	Re-let	B	01/03/2025	01/05/2025	06/06/2025	05/06/2029	£912
Construction Portal Library	New	C	17/06/2025	20/10/2025	20/10/2025	19/10/2028	£24,000
						Total	**£530,380**

*The dates and values on this annex are indicative and subject to change. By the time of publishing, some contracts may have been advertised.

**For extensions available, as it is unknown whether extensions will be taken up, the dates reflect the end of the initial contract. If extensions are taken up, these dates shall push out.

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STRATEGIC	Highest Quality Education and Support (College) Inspirational Learner Journey (Regional) Quality Learning, Teaching and Support Focused and Streamlined Priorities (Outcome Agreement)	Successful Students (College) Develop & Nurture (Regional) Learning with Impact Student Participation and Engagement in their educational experience (Outcome Agreement)	Highest Quality Education and Support (College) Effective & Efficient (Regional) Contribution to Economic Recovery and Social Renewal Learning with Impact (Outcome Agreement)	Sustainable Behaviours (College) Strong & Sustainable (Regional) Responding to the Climate Emergency Equalities and Inclusion Fair Access and Transitions (Outcome Agreement)
	1	2	3	4
STRATEGIC PROCUREMENT OBJECTIVES	To work with internal academic budget holders professional support service colleagues and suppliers to deliver innovation and best value to the learning research and service support communities through the development of an effective and co-ordinated purchasing effort within the College.	To seek out professional development opportunities and enhance experience and capability of procurement practitioners and to work with the supply chains to ensure continued value, managed performance and minimal risk throughout the life of the contracts for the benefit of customers and students. To sustain and further develop partnerships within the sector, with other publicly funded bodies, with professional bodies and appropriately with supply markets that will yield intelligence, innovation and deliver value to users of procurement services.	To promote the delivery of value for money through good procurement practice and optimal use of the procurement collaboration opportunities. To develop sound and useful procurement management information in order to improve procurement and supplier performance in support of corporate planning conducted through fair and transparent process.	To embed sound and ethical social and environmental policies within the College's procurement function, respond to the Climate Emergency and to comply with relevant Scottish and UK Legislation in performance of the Sustainable Procurement Duty. To promote the delivery of value for money through good procurement practice and optimal use of the procurement collaboration opportunities.

Procurement Strategy Objective	Procurement Strategy Statement	Annual Report Commentary on Strategy Delivery
To work with internal budget holders, professional support service colleagues and suppliers to deliver innovation and best value to the teaching and learning, and service support communities, through the development of an effective and co-ordinated purchasing function	How the College intends to ensure that its regulated procurements will contribute to the carrying out of its functions and achievement of it purposes The College's general policy on consulting and engaging with those affected by its procurements	The College recognises the value that procurement brings and has increased the procurement resource temporarily by 1FTE (Procurement Project Manager) to support procuring the historical regulated spend. The Supply Chain Manager and the Procurement Project Manager have worked with the internal stakeholders on all procurements carried out in 2022/2023 to ensure that the specification meets requirements with evaluation criteria and weightings included which align to the College's needs. The College follows the Scottish Government's Procurement Journey as standard procedure with its own internal governance and threshold levels <£50k for Goods and Services and <£2m for Works. The Supply Chain Manager and the Procurement Project Manager have worked with Faculties and Depts to implement contracts in specific areas aligned to the College's priorities. A Project Strategy has been completed with the input from relevant stakeholders for the following contracts let within the period: These included: - Multi-Functional Devices - HR Software (incl Payrole) - Solar PV Completion of a Project Strategy allows us to assess any risks associated with the procurement and the relevance of key areas such as UK GDPR, Cyber Security, Health & Safety, Sustainability and Community Benefits. Key Performance Indicators were included in these contracts
To develop sound and useful procurement management information to measure and improve procurement and supplier performance conducted through fair and transparent process	How the College intends to ensure that its regulated procurements will contribute to the carrying out of its functions and achievement of it purposes How the College intends to ensure that its regulated procurements will be carried out in compliance with its duty to treat economic operators equally and without discrimination	The College submits its annual expenditure to APUC Ltd where the data is coded allowing the Supply Chain Manager to analyse the data. This identifies any areas of regulated spend and high-risk areas. The College has a full set of data over a period of 4 years which provides clarity on areas that require to meet the Procurement Reform Act obligations. Areas of expenditure have been prioritised and are on the Procurement Forward Plan. These procurements shall follow the Scottish Government's Procurement Journey and shall be advertised through PCS with appropriate evaluation criteria and weightings in line with the process carried out for completed procurements in 2022/2023. The College uses the Pecos System for the placing of Purchase Orders. The current usage status on PECOS is currently under review. Training has taken place to enable

	How the College intends to ensure that its regulated procurements will be carried out in compliance with its duty to act in a transparent and proportionate manner	the VP of Finance, Resources and Sustainability ,the Management Accountant and the Supply Chain Manager to gain access to the Reporting Tool. Further training is the process of being arranged. Savings are recorded where the College has used collaborative framework agreements and where savings have been achieved through local tender activity. A public facing, current contracts register where contracts are logged through the Hunter Database is available on SLC's procurement section of the website providing full transparency of the College's contracts.
To embed sound ethical, social and environment policies within the College's procurement function and to comply with the relevant Scottish, UK, and EU legislation in performance of the sustainable duty	How the College intends to ensure that its regulated procurements will be carried out in compliance with the Sustainable Procurement Duty The College's general policy on the payment of a living wage to persons involved in producing, providing, or constructing the subject matter of regulated procurements The College's general policy on promoting compliance by contractors and sub-contractors with the Health & Safety at Work Act 1974 and any provision under that Act The College's general policy on the procurement of fairly and ethically traded goods and services The College's general policy on how it intends it approach to regulated procurements involving the provision of food to: - improve the health, wellbeing, and education of	SME engagement is imperative to the College, and we continue to offer SME support in the tender process. Although limited in 2022/2023, the Supply Chain Manager will continue to attend events to support SMEs providing advice and a key contact for upcoming opportunities. Consideration of environmental, social, and economic issues and benefits is made, where appropriate, on a contract-by-contract basis during the planning stage of a regulated procurement. The College always considers use of a framework in the first instance. Using framework agreements means that where appropriate, these areas have already been considered and assessed as part of the award criteria where relevant. Although not a legal requirement, South Lanarkshire College complies with the duties under the Modern Slavery Act publishing an annual Modern Slavery Statement on the website. All Invitation to Tender documents for APUC framework agreements and local tenders have the Sustain Supply Chain Code of Conduct. Tenderers are asked to sign up to the ethos of the code as part of their bid committing to assurance that they do not use forced, involuntary or underage labour, that they provide suitable working conditions and terms, that they treat workers fairly and that they comply with all laws and regulations relating to ethical and environmental compliance. The College's standard Terms and Conditions were used in all local tenders. By the supplier signing to the College's terms and conditions, this minimises contractual risk to the College. They require all contractors to meet all obligations in the compliance with anti-slavery, human trafficking laws, discrimination law, the Equality Act 2010, and health and safety law. These terms also include a clause for a minimum payment term of 30 days of which the College must pay the supplier and a clause for the supplier to meet this term with any sub-contractors engaged as part of the contract.

	communities in the College's area - promote the highest standards of animal welfare How the College intends to ensure that, as far as is reasonably practicable, the following payments are made no later than 30 days after the invoice is presented: - payments due by the College to a Contractor - payments due by a contractor to a sub-contractor payments due by a sub-contractor to a sub-contractor	The Supply Chain Manager attends the College Sustainability Group. The group meetings will resume and will be held monthly. The College is participating in the Sector's FNT2030 Sustainability plans. This project has developed a set of goals for individual Colleges and the sector as a whole to address the Climate Emergency through its supply chain. The College is a Living Wage employer. Where relevant and proportionate, as part of the regulated procurement process, a fair working practices evaluation question is included to assess suppliers and their level of compliance in this area. The College through APUC Ltd, is affiliated member of Electronics Watch, an independent monitoring organisation of the electronics industry which monitors ethical issues in the first, second and third tier supply chains. The College has access to the EcoVadis sustainability ratings agency. This tool allows the College to review sustainability audits within our supply chain.
To sustain and further develop partnerships within the sector, with other publicly funded bodies, with professional bodies and appropriately with supply markets that will yield intelligence, innovation and deliver value to users of procurement services.	How the College intends to ensure that its regulated procurements will deliver value for money	The Supply Chain Manager continues to develop relationships with internal and external stakeholders. The updated Procurement Thresholds has now been embedded with the college. Further training and exposure to internal procurement processes for internal stakeholders is required within the College. The Supply Chain Manager and the Procurement Project Manager has worked with Faculties and Depts to ensure that appropriate evaluation criteria and weightings and where appropriate, key performance indicators were included in procurements completed this year. We continue to offer support and direction to SMEs as required for specific tenders. The procurement section of the College website provides information for suppliers. This is currently under review. The Supply Chain Manager attends the Procurement Strategy Group for Colleges hosted by APUC Ltd and is a valuable peer network for advice, guidance, and information exchange. Both procurement resources are part of the Central and South Regional Team which incorporates 5 Colleges across the Central Scotland Region where an APUC shared service is delivered. Regional Team Meetings are held and

		facilitated by our Senior Supply Chain Manager responsible for this team. This enables the team to exchange information and discuss regional collaborative opportunities. South Lanarkshire College and New College Lanarkshire work closely to share best practice, align procurement processes and collaborate where possible.
To promote the delivery of value for money through good procurement practice and optimal use of procurement collaboration opportunities	How the College intends to ensure that its regulated procurements will deliver value for money	The Supply Chain Manager and the Procurement Project Manager have worked with the internal stakeholders on all procurements carried out in 2022/2023 to ensure that the specification meets requirements with evaluation criteria and weightings included which align to the College's needs. The internal stakeholders have been part of an evaluation panel which contributes to a value for money decision for the College. Through expenditure analysis, the Supply Chain Manager identifies where there is non-compliant spend and opportunities for utilising collaborative agreements or placing a local contract. The College seeks to use framework agreements where they deliver value for money. Where a collaborative framework agreement is not available or unsuitable, the College will seek competitive offers via an open tender. Regulated procurements are carried out in conjunction with the Supply Chain Manager and the Procurement Project Manager. Evaluation criteria including price and quality aligned to a scoring methodology are stated on the Contract Notice and Tender Documents. Where relevant, a sustainability test is used to assess the relevance of areas such as environmental impact, fair work, equality, and social impact. Evaluations are initially carried out individually by tender panel members then a conclusion reached by consensus. The College works closely with New College Lanarkshire and has collaborated on a Taxi Services Contract this year. The Supply Chain Manager contributes to the Procurement Strategy Group for Colleges which holds an annual Contracting Priorities Workshop where APUC Ltd seek input on future collaborative opportunities across the FE Sector. The College is increasing its collaborative expenditure on an annual basis (final figures have still to be confirmed).
To seek out professional development opportunities and enhance experience and capability of	The College's general duty on the procurement of fairly and ethically	The Supply Chain Manager attends the annual Procurex Conference, the APUC Procurement Network Conference, sectoral events and has access to training to develop skills to benefit the service provided to South Lanarkshire

procurement practitioners and to work with the supply chains to ensure continued value, managed performance, and minimal risk throughout the life of the contracts for the benefit of customers and students.	traded goods and services. How the College ensures that all its regulated procurements will be carried out in compliance with its duty to act in a transparent and proportionate manner.	College. Training is assessed as part of a continual performance review and development process. A procurement awareness session was delivered to the college as part of the staff development day. The College actively supports the sourcing of goods that are fairly, ethically, and sustainably sourced. We consider risks as part of the Project Strategy which also includes a sustainability assessment prior to commencing the procurement process. The supplier management and performance measurement route are determined at the Project Strategy stage of the process. Segmentation of the level of spend and supply risk determines which appropriate route of Strategic, Managed or Routine processes will be applied to monitor the performance. Key Performance Indicators for strategic contracts are monitored to ensure the objectives of the service delivery is achieved. Contract Management is also a means of sharing best practice within the marketplace and delivering innovation throughout the term.

South Lanarkshire College has a procurement process and sign off arrangements that are consistent with the guidelines set out in the Procurement Journey. These have met the objectives and obligations set out immediately above.

Annex F – Glossary of Terms

A, B, C and C1 Contracts (Who buys what?)

Category A Collaborative Contracts available to all public bodies
- Scottish Procurement

Category B Collaborative Contracts available to public bodies within a specific sector
- Scottish Procurement
- APUC Ltd
- Scotland Excel
- NHS National Procurement

Category C Local Contracts for use by individual bodies

Category C1 Local or regional collaborations between public bodies

Below Regulated Procurements are low value procurements with an estimated total value of less than £50k (ex vat) for goods and services and less than £2m for works. These are conducted in line with the College's internal procurement procedures.

Category Subject is a collection of commodities or services sourced from the same or similar supply base, which meet a similar consumer need, or which are inter-related or substitutable.

Centres of Expertise are the procurement support and advisory bodies to the Public Sector. They are: Central Government Procurement, Advanced Procurement for Universities and Colleges (APUC Ltd), NHS National Procurement and Scotland Excel (Local Authority).

Collaborative Procurement is an effective way for more than one College/University, contractor, consultant, or supplier to join together to procure works, goods, or services, share expertise, promote efficiency, and deliver value for money savings in the form of a contract.

Community Benefits are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social- economic and or environmental. Benefits. Community Benefits clauses are requirements which deliver wider benefits in addition to the core purpose of a contract. These clauses can be used to build a range of economic, social, or environmental conditions into the delivery of institutional contracts.

Contracts Registers these typically provide details of the procurement exercise to capture key information about the **contract** (the goods and services, values, date started, expiry date, procurement category etc).

Contract management or contract administration is the management of contracts made with customers, suppliers, partners, or employees. Contract management activities can be divided into three areas: service delivery management; relationship management; and contract administration.

EcoVadis is global CSR assessment tool which is based on international standards to conduct individual sustainability performance assessments across all relevant areas of the supply chain. Suppliers assessed by EcoVadis will receive a sustainability scorecard with detailed insights into their strengths along with opportunities for improvement.

GPA - The Agreement on Government Procurement is a plurilateral agreement within the framework of the World Trade Organisation (WTO).

GPA Thresholds are the thresholds of the Agreement of Government Procurement which apply to public authorities from 1 January 2021. The current thresholds applicable are (net of VAT):- for Supply, Services and Design Contracts, £177,897, for Work Contracts, £4,447,447. The GPA thresholds are revised every 2 years. The next threshold change will occur on 1 January 2024.

Hunter - Hunter has been developed by the eSolutions team. It is a database solution which uses standard Microsoft packages (Access and SQL Server) enabling organisations to effectively monitor and report on collaborative contracting activities.

Institution refers to College or University.

Leverage Based Savings - use of economies of scale to secure improved value.

Lotting - the Public Contracts (Scotland) Regulations 2015 encourage the use of lots (regulation 47), to promote competitiveness and to facilitate the involvement of SMEs in the public procurement market, by considering the appropriateness of dividing contracts into lots to smaller contracts.

Non-Influenceable Spend – This spend includes goods/services that can only be procured from one source, for example Scottish Qualification Authority.

Non-Pay Influenceable Spend – This is non-payroll spend that the procurement team can influence to Tender for Goods/Services/Works.

Operational Procurement Review (OPR) – Procurement assessment type for institutions with an annual Procurement spend of less than £2m.

Prioritisation - the Sustainable Public Procurement Prioritisation Tool which is a tool to aid all procuring organisations across the Scottish Public Sector designed to bring a standard structured approach to the assessment of spend categories.

Procurement Journey is public procurement toolkit with guidance and templates on the procurement process to facilitate a standardised approach to the market and contract and supplier management.

PCS (Public Contracts Scotland) is the national advertising portal used to advertise all public sector goods, services or works contract opportunities.

PCS-Tender is the national eTendering system and is centrally funded by the Scottish Government. The system is a secure and efficient means for buyers and suppliers to manage tender exercises online. The standard templates enable buyers to create consistent tender documentation.

Regulated Procurements are those whose values are greater than £50k for goods and services and greater than £2m for works. They require to be conducted in compliance with the Public Contracts (Scotland) Regulations 2015, the Procurement (Scotland) Regulations 2016 and the Procurement Reform (Scotland) Act 2014.

Real Living Wage is a voluntary hourly rate that is set by the Living Wage Foundation. The hourly rate level is set annually and is based on the cost of living in the UK with the aim to help support a minimum acceptable quality of living.

Segmentation the division and grouping of suppliers or contracts in relation to spend and its criticality to business.

Small and Medium Sized Enterprises (SMEs) encompass –

Micro enterprises: enterprises which employ fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed £1.57 million.

Small enterprises: enterprises which employ fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed £7.86 million.

Medium enterprises: enterprises which are neither micro nor small, which employ fewer than 250 persons and which have an annual turnover not exceeding £39.28 million, and/or an annual balance sheet total not exceeding £33.78 million.

Supply Chain encompasses all activities, resources, products etc. involved in creating and moving a product or service from the supplier to the procurer.

Supported business means an economic operator whose main aim is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of the employees of the economic operator are disabled or disadvantaged persons.

Sustain Supply Chain Code of Conduct - APUC and its client community of colleges and universities is committed to carrying out procurement activities in an environmentally, socially, ethically, and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to its vision. To demonstrate this commitment, current and potential suppliers are asked to acknowledge their compliance with the principles of the Sustain Supply Chain Code of Conduct with respect to their organisation and their supply chain.

Sustainable Procurement - a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits, not only for the organisation but also to society, the economy, and the environment.

World Trade Organisation (WTO) is the global international organisation dealing with the rules of trade between nations.

FINANCE AND RESOURCES COMMITTEE

DATE:	20 February 2024
TITLE OF REPORT:	Facilities Update
REFERENCE	06.4
AUTHOR AND CONTACT DETAILS	Craig Ferguson Craig.Ferguson@slc.ac.uk James Jamieson James.Jamieson@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: • the successful Scottish Government grant funding bid and next steps; • the works to date; • the contract monitoring review; and • the sustainability charts reporting on energy, waste, water and gas.
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 high-quality environment for staff and students • Sustainable behaviours – environmentally sustainable behaviours.
SUMMARY OF REPORT:	• The College was successful in bidding for pre-capital money of £60k to support with carrying out fabric first surveys. This will then allow the College to prepare a bid of up to £2.5m for future work. • 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.

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 SCOTTISH GOVERNMENT FUNDING

2.1 The College was also successful in its bid for £60k pre-capital money from the Scottish Government to carry out fabric first surveys for future work to be carried out, such as, ground source heat pumps to decarbonise the main building. It will also consider the previous building survey undertaken and link work to that too. This work should be completed late February with an application for up to £2.5m to be submitted in March 2024

3 WORK TO DATE

3.1 Major alterations works are in train to upgrade the Horticulture area, expected completion is March 2024, which has been made possible through the Arm's Length Foundation funding.

3.2 External doors on the workshop block have all been assessed and any issues have been rectified following their original installation.

3.3 Multiple car park tarmac repairs (potholes)have been carried out by the maintenance team. Capex funding may be requested for for further work in this area.

3.4 The archive area on the 4th floor is being cleared and it is hoped to complete this by April 2024. This is significant for the Facilities team due to the scale of work. Items not being disposed of will be placed with an external storage provider once scrutinised and approved for disposal, the remaining will be confidentially disposed of. Please note that this work is being doing in line with the College's Retention Policy.

3.5 Skills testing areas within the painting area have been upgraded with new lighting and doors.

3.6 A new photography gallery is planned for the 3rd floor corridor north.

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		
		Gas - Supply – Total Gas	
		Gas - College Infrastructure – ECG	Under review and contract out to tender. Progress being made on tender. Approval will be requested from Board to proceed given the cost.
		Electricity – Supply – EDF	Monitor cost increases
		Electricity – Feed in Tariff – Scottish Power	No Concerns
		Electricity – College Infrastructure –	Temporary electrical contractor in place for urgent and emergency works, service is excellent. New Tendered contract soon to be in place in conjunction with NCL
		Elevators - Kone, maintaining all 5 elevators	Excellent response times and experienced engineers.
		Mechanical & Ventilation – ECG	Under review and contract out to tender. Progress being made on tender. Approval will be requested from Board to proceed given the cost.
		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	No issue.
		Water – College Infrastructure - ECG	Under review and contract out to tender. Progress being made on tender. Approval will be requested from Board to proceed given the cost.
		Laundry Equipment PPM & Reactive – JLA	Service to continue for 6 months until review of compostable towels is complete. Monitoring has revealed that fewer towels are being used.
		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. but the College does have a temporary supplier in place through APUC for emergencies
		Security Systems (Alarms) – Connolly Security Services	No issue. This is also going out to tender shortly
		Fire Systems – Connolly Security Services (Fire Division)	Service has improved and continuing to liaise with them. This is also going out to tender shortly for long term supplier.
		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 improved recently. Issues with service have been resolved.

4.3 The Head of Facilities and the Procurement Team continue to meet to check the progress of contracts that require updating. This proves to be a worthwhile meeting to all parties.

4.4 Recently the Head of Facilities was commended by the Procurement team for the excellent work on the Heating, Gas, Ventilation, Air conditioning and minor works tender process, as this required a great deal of work.

4.5 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
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	24,639
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
Jul-Sept 2023	65,793	2537	476	68,806
Oct-Dec 2023	13132	671	140	13943

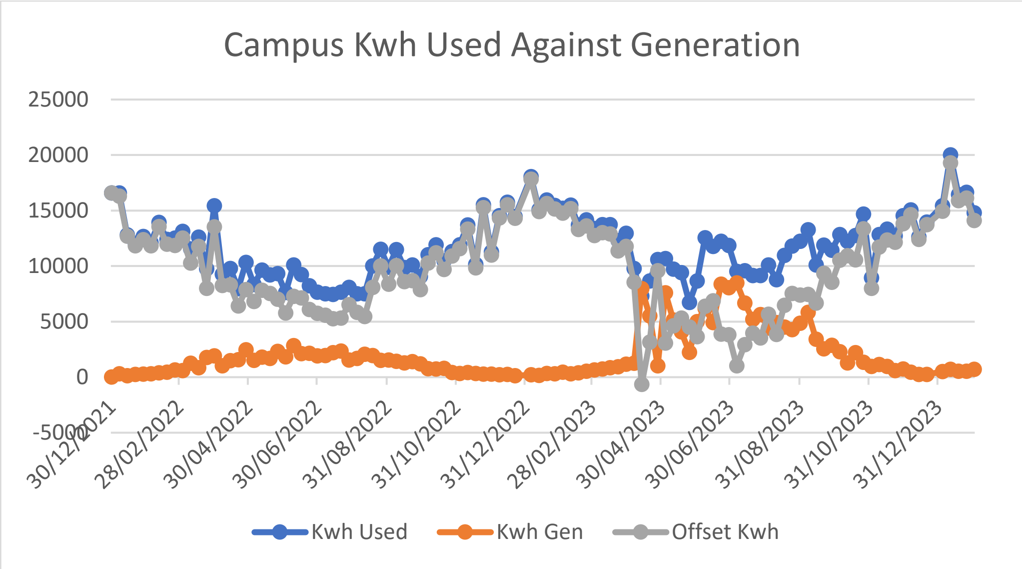
NOTE: Quarter year comparison is low due to a fault with one of our arrays. This has been fixed; however, the output won't have reached its full potential. In Addition, the solar PV invertor in the Annexe had to be replaced June 2023

5.2 The Solar Photovoltaics (PV) panel figures are as expected for this time of year, and this reporting period has seen a decrease in generated hours due to the decrease in daylight hours.

5.3 It is recommended that the system on the south facing construction roof is cleaned to increase performance. From March 2023, the new system has produced a staggering 108,000Kwh. A 22Kwh charge would allow a Renault ZOE to travel 125Km. This would mean that 4,909 charges would enable the vehicle to travel 613,636 Km. The circumference of the world is 40,075 Km, so that is a staggering 15 times around the world.

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

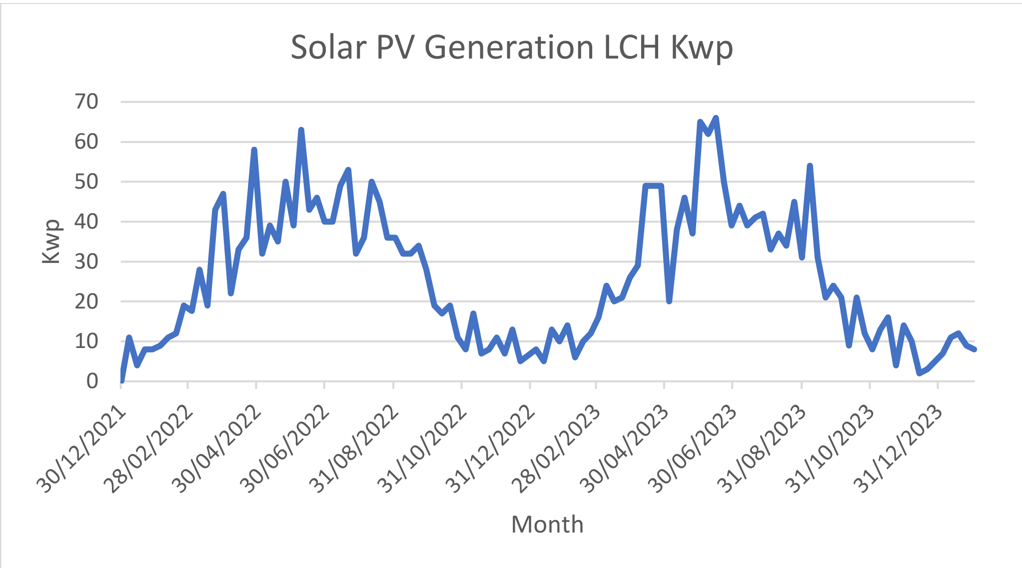
5.5 *Chart 1: Electricity Generated by the College Against Usage*



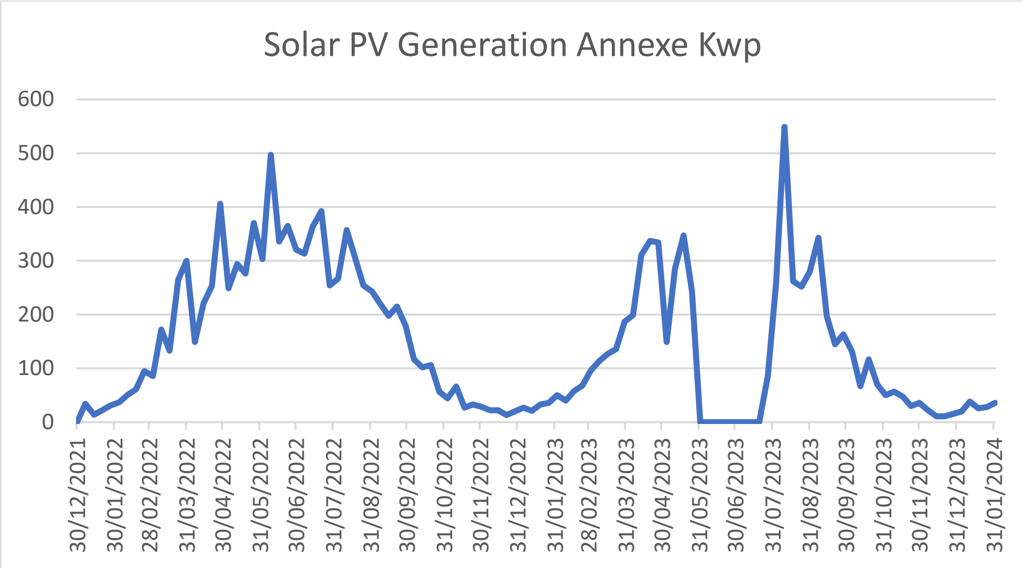
5.6 The LED lighting replacement work made possible through Scottish Government grant funding of circa £380k, has now been completed. Existing Fluorescent lamps rated at 90 Watts emit approximately 239,400 Kw/h per annum, whereas the new LED lamps will emit circa 66,500 Kw/h, resulting in an annual saving of 172,900 Kw/h. The life cycle of these is expected to be about 15 years. It is also estimated that the annual CO2 emissions saving is 36.3 tCo2e, which translates to about £21k saving.

5.7 . Staff awareness on energy conservation is a key theme and the Climate Change Emergency Action plan contains this as a key action.

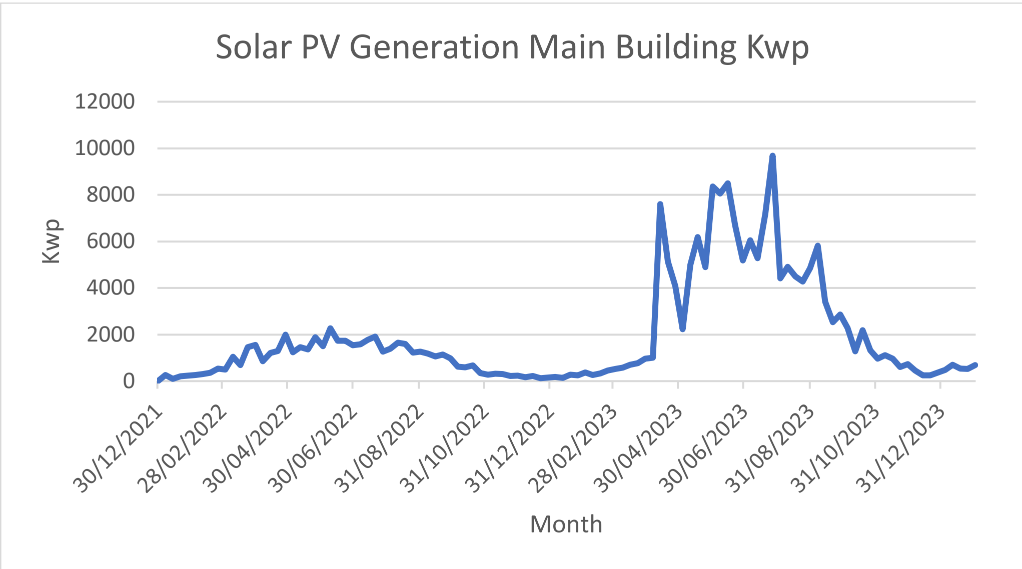
5.8 Chart 2: Solar PV for the Low Carbon House



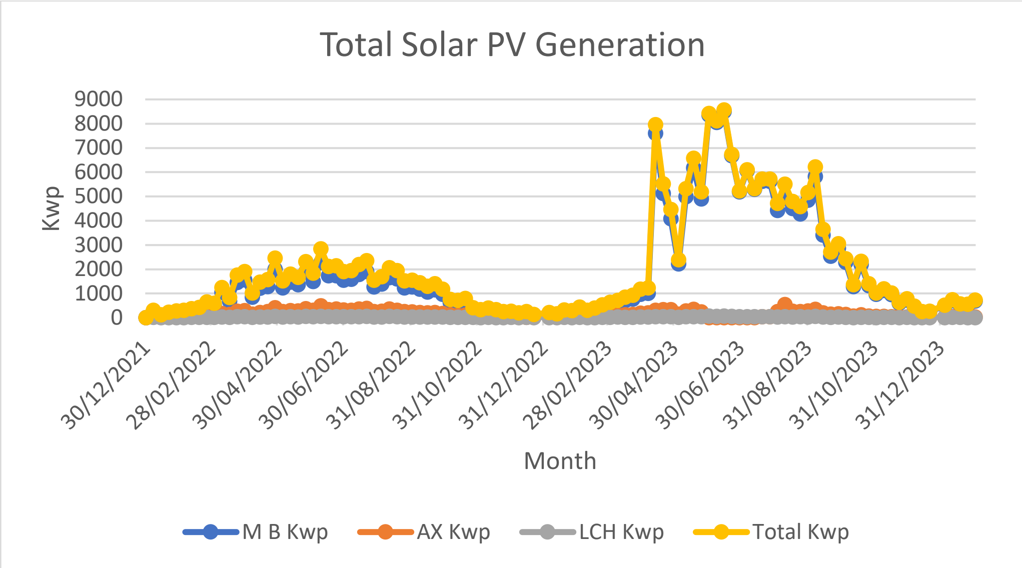
5.9 Chart 3: Solare PV for the Annex



5.10 Chart 4: Solar PV Figures Main Building



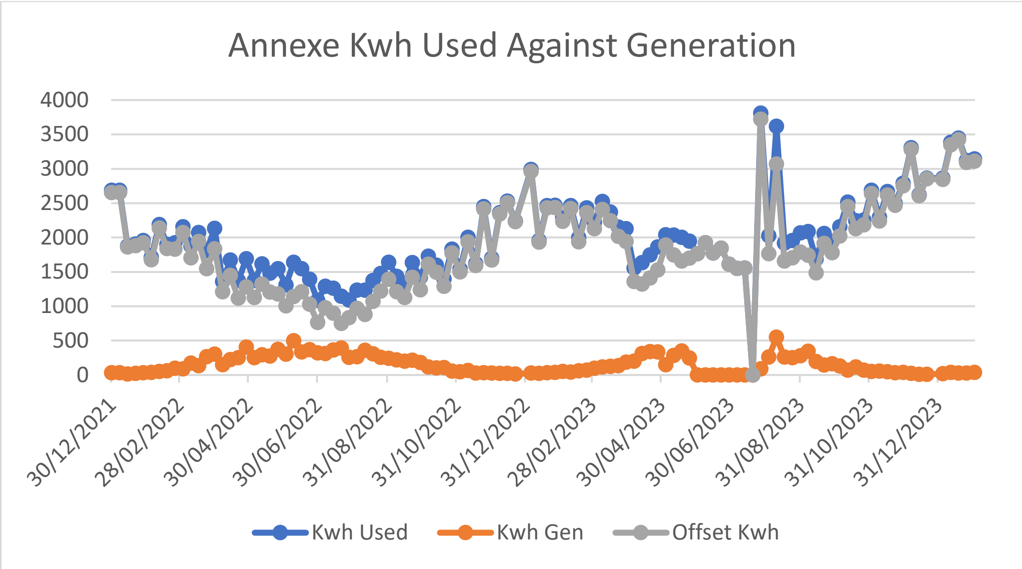
5.11 Chart 5: Total Solar PV Figures Combined



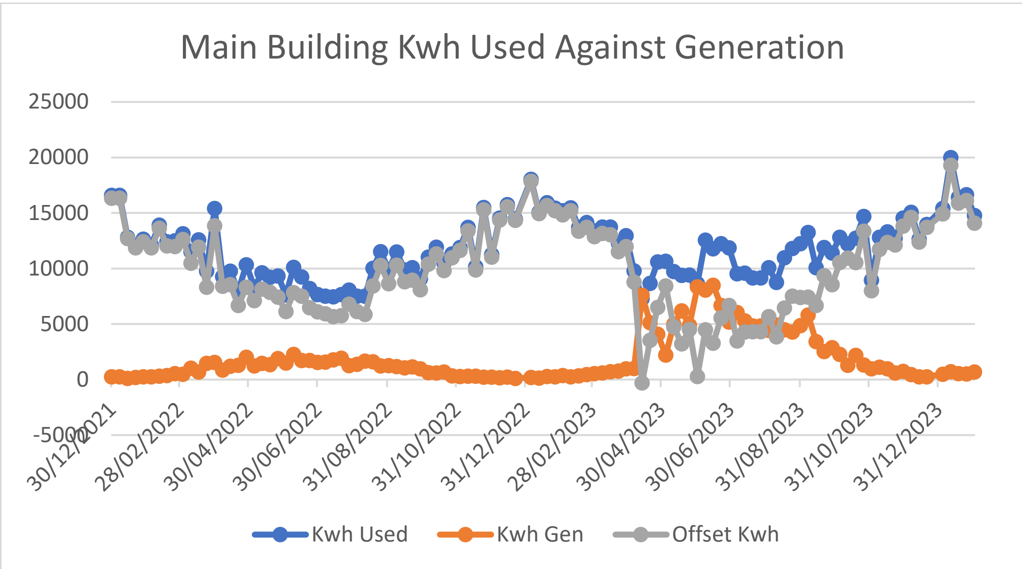
5.12 Charts 3 and 4 show how much of what we have generated for the annex and the main building can be offset against what we actually use in these buildings. As previously reported in line with the College's efforts to help achieve net-zero, an additional 150Kwp (campus total 237Kwp) solar PV panels were added to the construction roof area successfully on time, under budget and completed on 31 March 2023. This was possible due to Scottish Government grant funding and all monies received. The installation of these new PV system will also offset approximately 120,000Kwh which will help support with energy costs and this figure is on target to date.

5.13 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.

5.14 Chart 6: Annexe Kwh Used Against Generation



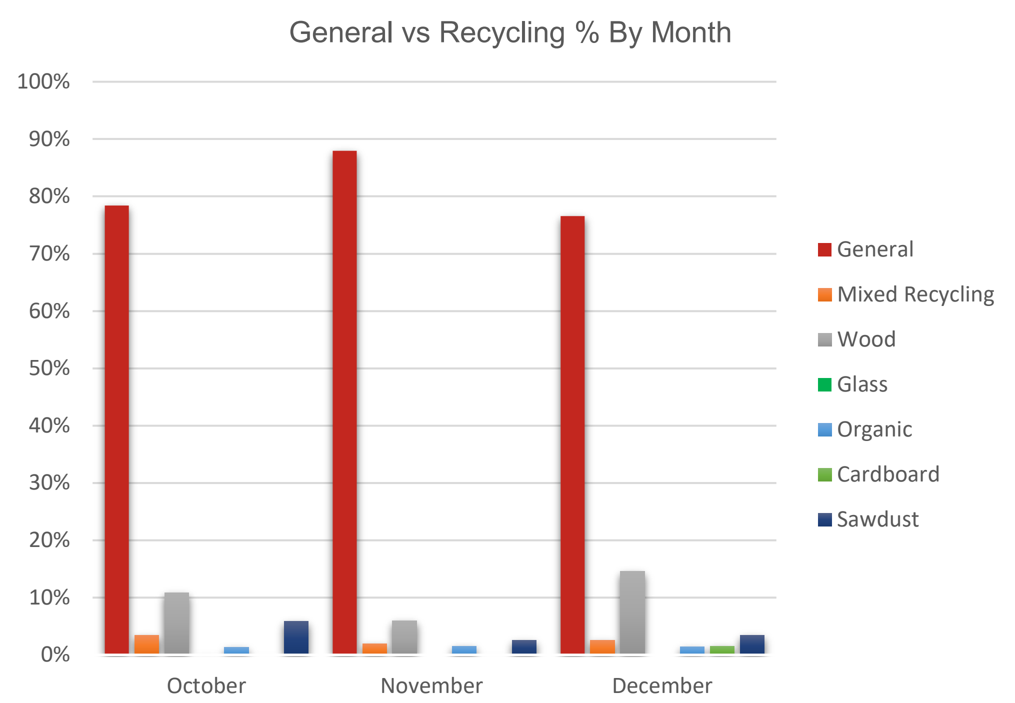
5.15 Chart 7: Main Building Kwh/p Used Against Generation



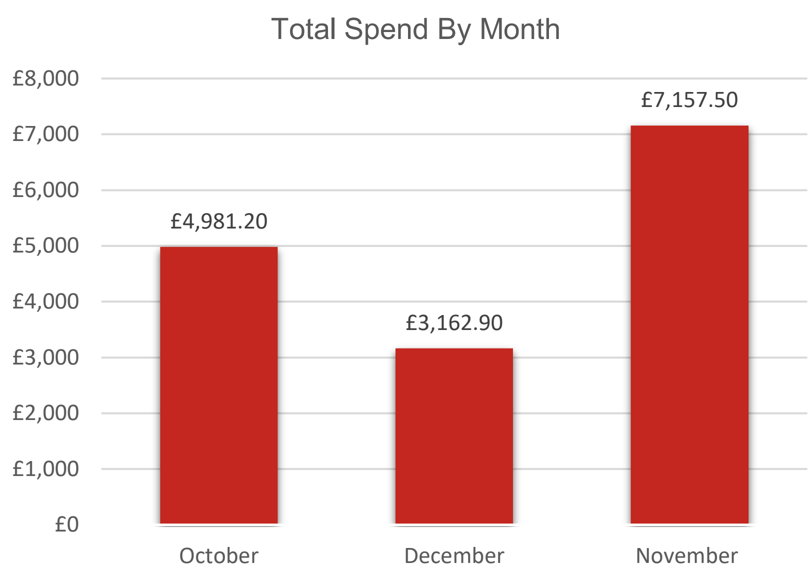
6 Waste

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

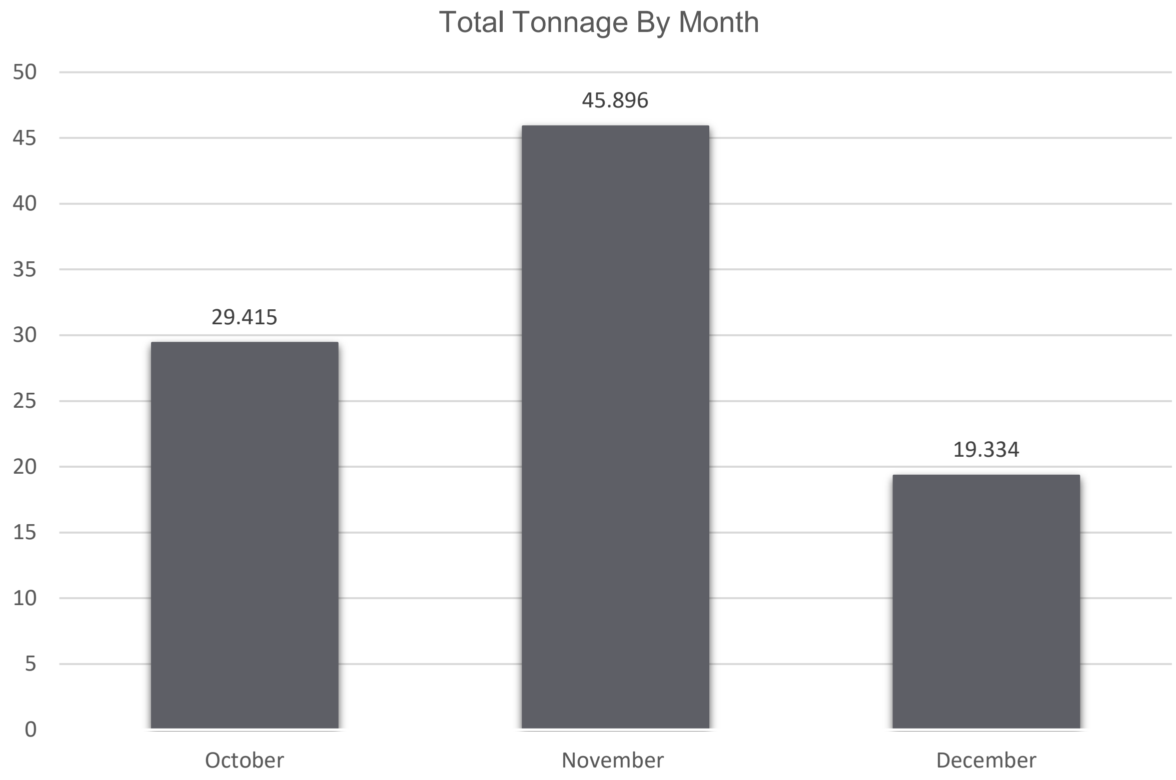


6.3 Chart 9: Total Tonnage by Waste Type



6.4 The general waste category gives some cause for concern and a recycling campaign will be addressed over the remainder of the academic session in preparation for 2023-2024 and team are looking at what can be done to reduce this. The College is aware that some contractors had used College skips to remove waste from the campus. Note that since the last Committee meeting in March 2023 contractors have been reminded not to use College skips. Chart 10 below shows a significant increase between February and March 2023. Lately, we have been in discussions on how to improve the recycling figures with our waste contractor. We plan on having A-frame signage located at each skip and staff who used these will be provided with additional training.

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.

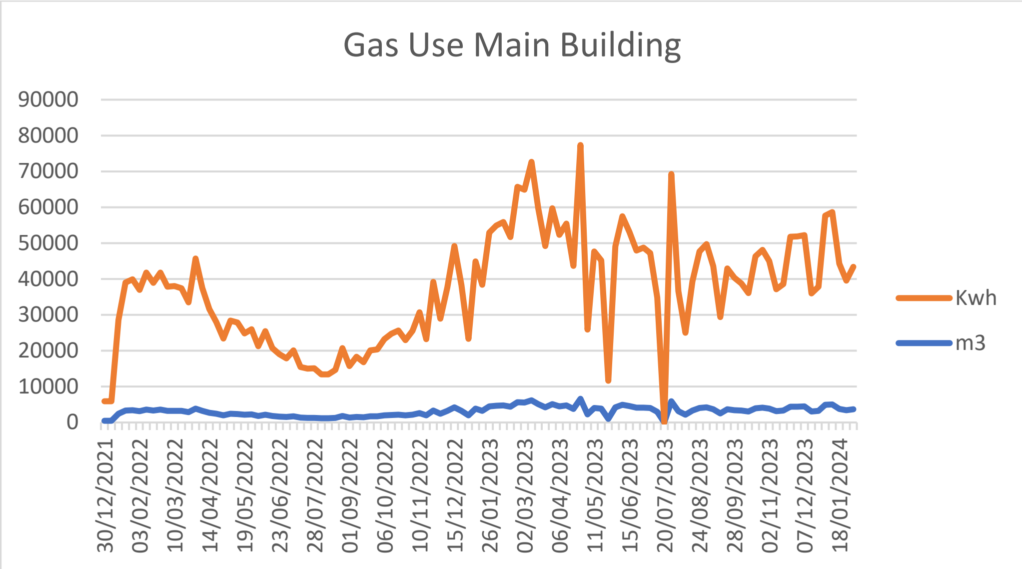
7.2 There are also charts to demonstrate the rolling gas and water consumption so that is easier to read in line with the electricity charts already provided.

7.3 Table 3 Energy Consumption

Finance and Resources Committee Estates Report February 2024 Energy Consumption- all Buildings

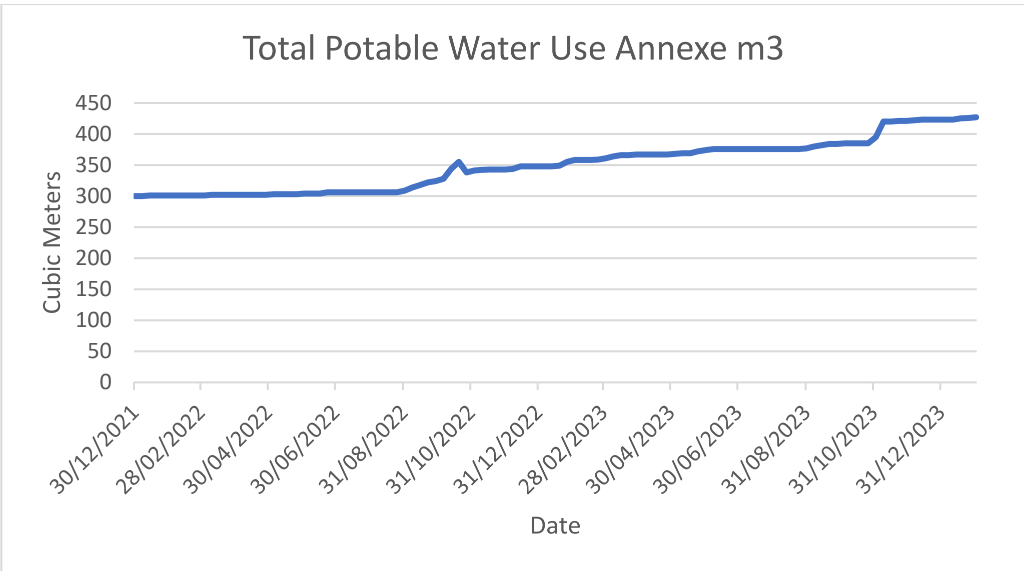
Date	Usage in kWh	Movement over prior year quarter	Rolling Year	Movement over prior rolling year
	Gas - kWh			
Oct - Dec 2019	500,643	11%	1,613,197	-4%
Jan - Mar 2020	636,674	22%	1,727,330	13%
Apr - Jun 2020	145,432	-57%	1,532,813	0%
Jul - Sep 2020	220,102	-12%	1,502,851	-4%
Oct - Dec 2020	408,878	-18%	1,411,086	-13%
Jan - Mar 2021	555,678	-13%	1,330,090	-23%
Apr - Jun 2021	330,348	127%	1,515,006	-1%
Jul - Sep 2021	205,185	-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%
Jul - Sep 2023	463,028	131%	1,998,632	52%
Oct-Dec 2023	475,412	41%	2,136,177	52%
	Electricity - kWh			
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	189,142	-2%	635,046	-35%
Apr - June 2023	209,549	54%	708,852	-4%
Jul - Sep 2023	137,941	2%	711,592	20%
Oct-Dec 2023	156,521	-11%	693,153	8%
	Water Consumption - M_3			
	Usage in m3	Movement over prior year quarter	Rolling Year	Movement over prior rolling year
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%
Jul - Sep 2023	1,218	-78.8	7,920	-7%
Oct-Dec 2023	2,082	-19.1	7,824	-11%

7.4 Chart 11: Gas Use Main Building



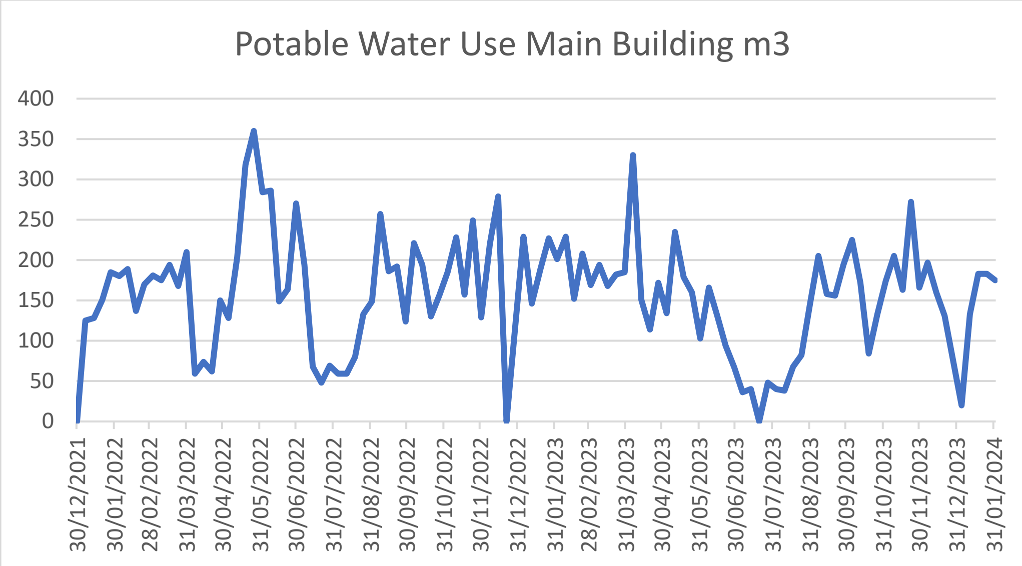
7.5 The ongoing challenge for the College will be to consider how it can reduce its energy consumption given the substantial rising costs in energy bills and the decrease in funding for the college sector. One consideration is to switch all cooking facilities to induction hobs.

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 early August with Grant Funding of £10,000 from the Water Efficiency Fund to start this project, and work in this area has now commenced and further updates will be provided.

8 RISK

8.1 That e 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 Note the successful Scottish Government grant funding;
10.1.2 Note the works to date;
10.1.3 Note the contract monitoring review; and
10.1.4 Note the sustainability charts reporting on energy, waste, water and gas.

FINANCE AND RESOURCES COMMITTEE

DATE	20th February 2024
TITLE OF REPORT	Climate Change Emergency Action Plan
REFERENCE	06.5
AUTHOR AND CONTACT DETAILS	Wilma MacLeod Wilma.Macleod@slc.ac.uk James Jamieson James.Jamieson@slc.ac.uk
PURPOSE:	To update members on the draft Climate Change Emergency Action Plan and to request approval to publish.
KEY RECOMMENDATIONS/ DECISIONS:	Members are recommended to: • note the Climate Change Emergency Action Plan; • and approve the publication.
RISK	• That the College does not take appropriate action to reduce its carbon footprint. • That staff and students are not educated and supported around climate change and the wider implications.
RELEVANT STRATEGIC AIM:	• Successful Students • The Highest Quality Education and Support • Sustainable Behaviours
SUMMARY OF REPORT:	• The College has produced a Climate Change Emergency Action Plan to set out how the organisation aims to achieve net-zero climate emissions by 2045. • This is based on a “roadmap” which was established for colleges to have a strategic sector-wide approach to tackling the climate emergency. • The College has assessed itself against the five components and a series of targets have been put in place. • The College will provide this Committee with regular updates on its progress

1. INTRODUCTION

1.1. This paper provides an overview of the Climate Change Emergency Action Plan.

2 BACKGROUND

2.1 In 2015, world leaders gathered in Paris and made a historic agreement to tackle climate change, which came to be known as the Paris Agreement, or COP21. Its central aim was to hold any increase in global average temperatures to well below 2℃, and this set a new course for collaborative global effort on climate change.
2.2 Responding directly to stark warnings from the Intergovernmental Panel on Climate Change, the Scottish Government declared a climate emergency in 2019, and pledged to speed up efforts to achieve zero greenhouse gas emissions.
2.3 Since then, Scotland's colleges and their boards have responded at individual institutional level by addressing a range of environmental issues.

2.4 ***10 Key Actions***

2.5 In 2021 colleges agreed to establish and commit collaboratively to delivering on the following set of 10 key actions:

- Support Scotland's efforts to achieve net-zero climate emissions by 2045 or earlier if possible, with Scotland's colleges aiming to achieve net-zero by 2040 or earlier.
- Embed environmental sustainability in our institutional strategies and set measurable targets.
- Address the UN's Sustainable Development Goals in our strategies.
- Share best practice within and beyond the college/university sector.
- Deploy our expertise and experience to combat climate change.
- Contribute to public debate on climate change and use the power of our example to encourage others.
- Work with Scottish industry, employers, public sector bodies and others to improve working practices and find practical solutions to climate change and to make our planet safe for future generations
- Encourage where appropriate, colleges to adopt the UK HE/FE Climate Commission's 'Climate Action Roadmap for FE Colleges'.
- Each college will publish action plans to address on-campus and supply chain emissions, setting out what steps they will take over a five-year horizon and beyond where possible, and what they aim to achieve to address the climate emergency.
- Educating staff, students, employers and communities on the impact their daily lives and working practices have on the environment/climate. While working with our partners, local employers and communities to ensure everyone is aware of their personal responsibility to our planet.

3 CLIMATE ACTION ROADMAP FOR FE COLLEGES

3.1 A roadmap was established for colleges to have a strategic sector-wide approach to tackling the climate emergency. It is based on a range of existing materials, including the EAUC's (The Alliance for Sustainability Leadership in Education) 'SORTED: Guide to Sustainability in Further Education', the Sustainability Leadership Scorecard, the Climate Emergency Framework, and past winners of the Green Gown and Association of Colleges (AoC) Beacon Awards, among others. It is also based on a workshop with FE college leaders and students, held in June 2020.
3.2 The roadmap includes three 'levels' of colleges' approaches to sustainability, organised by different levels of maturity:

3.2.1 **Emerging**: colleges just beginning to address sustainability;
3.2.2 **Established**: colleges with an established approach to sustainability and structures in place to support it; and
3.2.3 **Leading**: colleges which are models to others on sustainability.

3.3 Each 'level' contains a series of initiatives colleges can implement to reach net zero emissions and improve their environmental impact. These initiatives are categorised into the same categories as the EAUC's "Sustainability Leadership Scorecard" which are:

3.3.1 Leadership and Governance
3.3.2 Learning, Teaching and Research
3.3.3 Estates and Operations; and
3.3.4 Partnerships and Engagement.
3.3.5 Another category of data collection has also been added.

3.4 Full details of the roadmap can be found on the College Development Network's website under "tackling the climate emergency".

4 SOUTH LANARKSHIRE COLLEGE: CLIMATE CHANGE EMERGENCY ACTION PLAN

4.1 The College has used this roadmap as a basis for its Climate Change Emergency Action plan and assessed where the College is against the five elements of the roadmap as noted in section 3.3. The College believes that is emerging in three elements and established in two.

4.2 *Table 1: South Lanarkshire College Assessment*

Element	Emerging Colleges which are just beginning to address sustainability.	Established Colleges with an established approach to sustainability.	Leading Colleges which are models to others on sustainability.
Leadership and Governance	√		
Teaching and Learning	√		
Estates and Operations		√	
Partnership and Engagement		√	
Data Collection	√		

4.3 The action also includes targets for each component, and it is the College's ambition to be "leading" in all five categories within five years.

4.4 The College will report back to the Finance Resource Committee on progress being made with the action plan.

5 EQUALITIES

5.1 At this time, there are no new matters for people with protected characteristics which arise from consideration of the report.

6 RISK

6.1 The following risks apply:

6.1.1 That the College does not take appropriate action to reduce its carbon footprint; and
6.1.2 That staff and students are not educated and supported around climate change and the wider implications.

7 RECOMMENDATIONS

7.1 Members are recommended to:

7.1.1 note the Climate Change Emergency Action Plan; and
7.1.2 and approve the publication.

South Lanarkshire College
East Kilbride

CLIMATE CHANGE EMERGENCY ACTION PLAN 2023/2024

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Document Information

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Quick Links

We are inclusive and diverse, and this is one of our values.

We are committed to the FREDIE principles of Fairness, Respect, Equality, Diversity, Inclusion and Engagement.

To find out more about FREDIE click **HERE**

To find out more about our Vision, Mission and Values click **HERE**

Need help with accessibility? Click HERE to view our accessibility pages.

Table of Contents

Section 1: Foreword

South Lanarkshire College's commitment to responding to climate change has been evident for more than fifteen years. Through remodelling the campus, embedding sustainability into the curriculum, and developing our staff, we can clearly illustrate that climate change is at the forefront of all we do.

Since 2009, the College has actively reduced its carbon emissions (tco2) from 3306 tCo2, to 904 tCo2 by installing a range of sustainable technologies. All three College buildings have solar panels, ground and air source heat pumps, and rainwater harvesting systems installed, with a fabric first approach including insulation and air tightness. In partnership with Dawn Homes, Scotland's first affordable, low-energy, low-carbon house suitable for mass production was built within the College campus. The learning from this innovative approach to building, informed the project team when constructing the Building Research Establishment Environment Assessment Methodology (BREEAM) "outstanding" teaching block. The College is proud that these two buildings are not only utilised as a teaching space, but also as a teaching resource to demonstrate sustainable behaviours which inspire and inform students, staff, and stakeholders.

The College is ambitious and fully supports achieving net zero by 2040 or earlier as set out by the Scottish Colleges' Statement of Commitment to the Climate Emergency. From the baseline date of 2009, the college has reduced its carbon emissions by 2900tco2. It is envisaged that the College will continue to reduce year on year by 60tco2. South Lanarkshire College centres its Climate Emergency Action Plan around the five elements of the "Climate Action Roadmap for UK FE Colleges."

Implementing and overseeing this plan will inspire the College to continuously invest and allocate resources, using the savings from the year-on year decreased energy usage to create new curriculum, generate additional partnerships and ensure the sustained the longevity of the buildings. The result of which will be a college that serves its local and regional communities and makes a positive contribution to a greener, cleaner, and brighter Scotland for all.

Section 2: Executive Summary

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

This Climate Change Emergency Plan (CCEAP) details South Lanarkshire College's commitment to achieving net-zero emissions by 2040 or earlier, by addressing the implications of climate change, promoting sustainable behaviours within the College community as well as to industry partners and stakeholders. The planned actions to achieve net-zero contained within the document will be updated annually by the Sustainability Leads. Since the baseline year of 2009/2010 South Lanarkshire College has been highly successful and consistent in reducing its emissions despite the growth of the College footprint.

The graphs below show that the College has taken the necessary steps to reduce its Electricity, Gas and Water consumption, and the charts below demonstrate the progress the College has made over a three-year period, 2021-2023 as the snapshot of the last 2 years demonstrates.

Chart 1: Electricity Usage

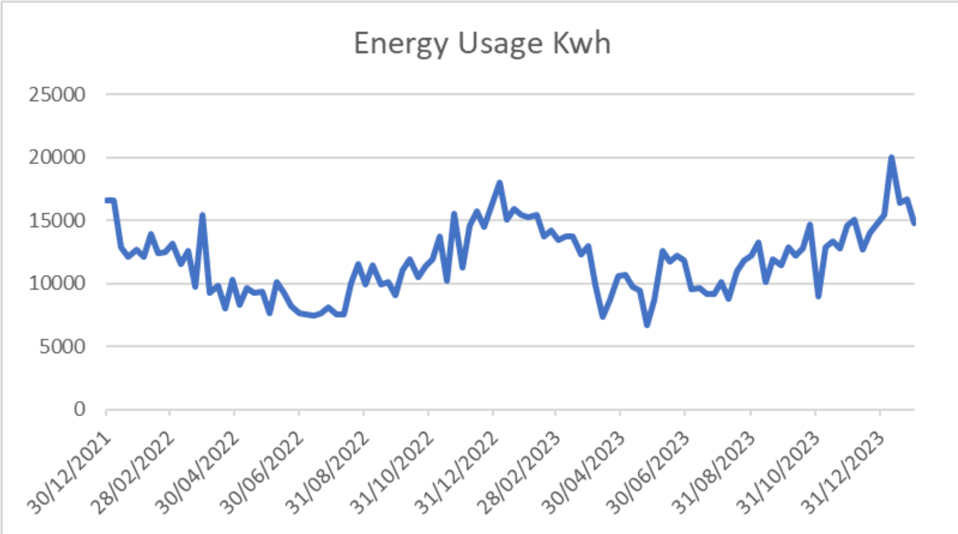


Chart 2: Gas Usage

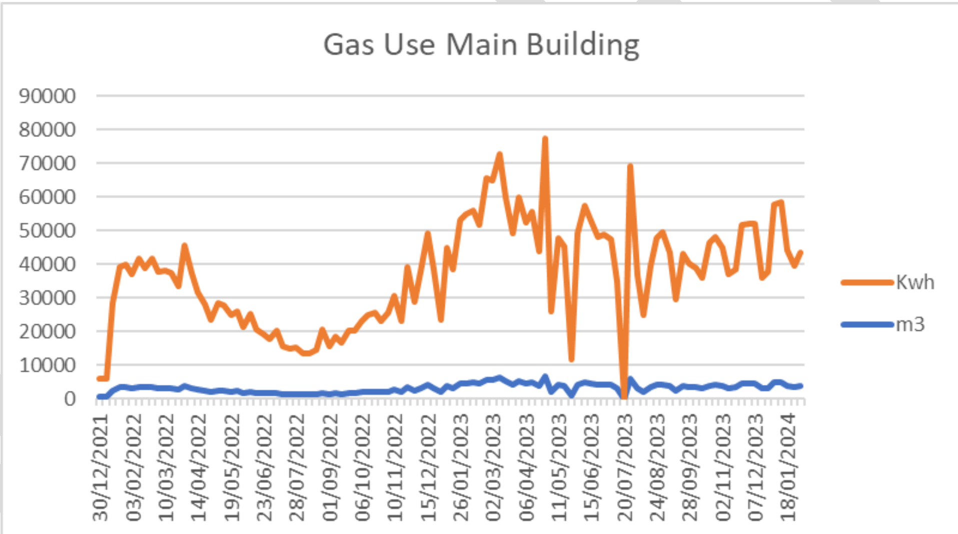


Chart 3: Water Usage

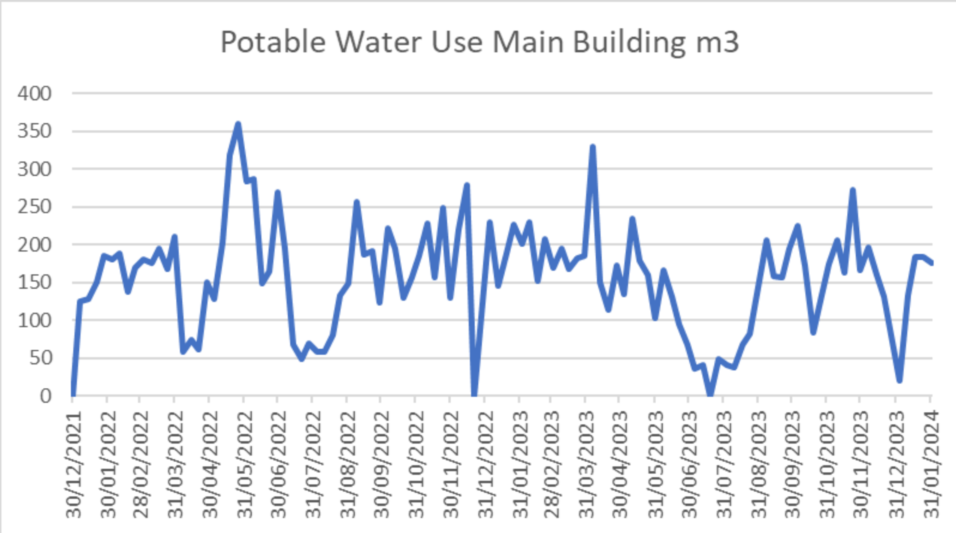
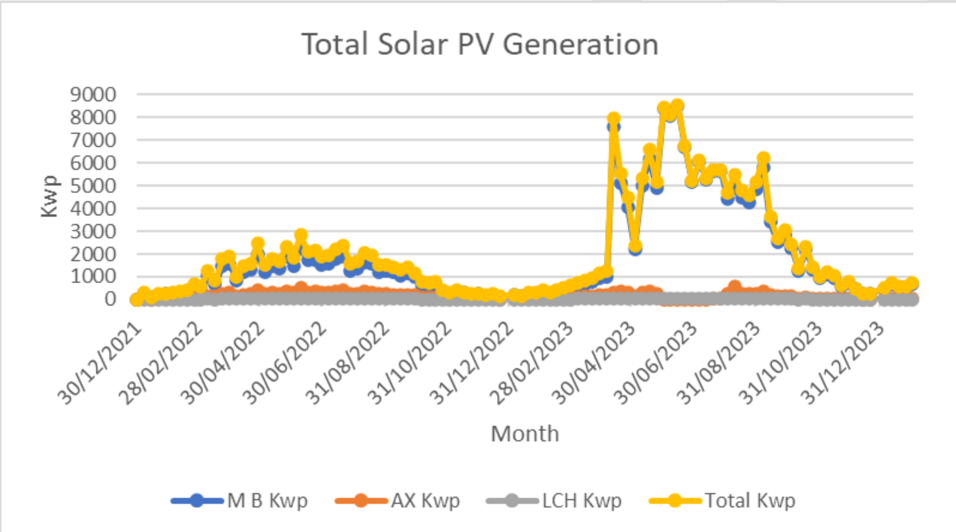


Chart 4: Electrical Generation Solar PV



Section 3: The Further and Higher Education Roadmap

In collaboration with The Climate Commission and the management consultancy Nous Group a Climate Action of UK FE Colleges Roadmap has been developed. This Roadmap provides clear actions and guidance on how colleges can promote sustainability and respond to the climate emergency. South Lanarkshire College has used this Roadmap to assess its current standing and to assist in the development of a strategy to net-zero.

- The five elements of this Roadmap are: Leadership and Governance
- Teaching and Learning
- Estates and Operations

- Partnership and Engagement
- Data Collection

Section 4: The Journey to Net-Zero

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

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

The table below sets out the College's assessment against the five elements of the roadmap and it is the ambition of the College to be "leading" in all five elements within five years.

Table 1: South Lanarkshire College Assessment

Element	**Emerging** Colleges which are just beginning to address sustainability.	**Established** Colleges with an established approach to sustainability.	**Leading** Colleges which are models to others on sustainability.
Leadership and Governance	√		
Teaching and Learning	√		
Estates and Operations		√	
Partnership and Engagement		√	
Data Collection	√		

Section 5: Leadership and Governance

Where are we now?

A system for climate change governance exists within the College, and the strategic priorities, approved by the South Lanarkshire Board of Management, set out "Sustainable Behaviours" as a key ambition. A cohesive approach to sustainability is delivered through The Sustainability Group which consists of representatives from college management, the Student Association, all College departments, and curriculum areas. This group meets four times per year to monitor, implement and promote sustainable behaviours throughout the college. The Leads of the Sustainability Group reports on the progress of outcomes to the College Senior Leadership Team, and this progress is reported to Board of Management level through the Finance and Resources Committee.

Where do we want to be?

Table 2 sets out South Lanarkshire College's targets and progress to date against these targets.

Table 2: Leadership and Governance Roadmap/Organisational Targets

Target	Completed By	Progress
Develop a Climate Change Emergency Action Plan.	March 2023	Complete
The Board of Management to set out the strategic priorities.	June 2024	
CCEAP to be presented to the BOM for approval and reviewed annually. Sustainability Lead to present CCEAP to SLT and BoM. Agree with relevant Committee what the reporting format should be and when, for example annual update or quarterly.	February 2024 March 2024	
Finance and Resources Committee to be updated on the progress of the CCEAP.	June 2024	
Replace the current Sustainability Group with a Climate Change Action Team (CCAT) to enhance the focus of climate change within the College.	March 2024	
Embed climate change actions within the College community by ensuring it is a key performance indicator across all curriculum and department teams.	March 2024	
Achieve Carbon Literate Organisation Standard	August 2024 May 2024	
Sign up to the Sustainable Development Goals Accord	June 2024	
Target	**Completed By**	**Progress**

Investigate alternative sources of income and funding opportunities through establishing which funding streams would support the College's sustainability developments.	July 2024	SG grant awarded for additional 150 Kwp Solar photovoltaic panels. Grant received from Lanarkshire Climate Change Action to delivery Community Garden workshops and Climate Change Ambassadors programme
Embed sustainable behaviours in staff induction and development.	June 2024	Discussions taking place with HR
Identify Sustainability Champions to take forward CCEAP Actions	August 2023. Review annually	Sustainability champions renewed annually
Sustainability to be added to curriculum and departmental progress reviews	June 2023 May 2024	Climate Change included in curriculum reviews.
Establish a Student Sustainability Group	September 2024. Review annually	Student Association President to be included in the College CCAT.
Embed climate change actions across curriculum through schemes of work and developing teaching staff to exploit opportunities for learning.	August 2023-June 2024 reviewed annually	Students across all curriculum areas are engaged in a range of activities that provide opportunities to contribute to addressing climate change.

Section 6 Teaching and Learning

Where are we now?

The College recognises that it has a valuable role to play in fostering awareness of climate change and sustainable behaviours to the College community, the wider local community, stakeholders, and partners. The College has identified that there is an increasing number of students enrolling in the College who are aware of the impact of climate change and the need to improve sustainable behaviours.

The college has been at the forefront of changes within the curriculum to embed qualifications that prepare learners for the future skills required to meet key Government targets, in line with The Climate Emergency Skills Action Plan (CESAP)

The College realises it has a responsibility to capture this enthusiasm and provide teaching and learning opportunities to students, and stakeholders, whilst providing development opportunities for staff.

Where do we want to be?

Table 3: Teaching and Learning Roadmap/Organisational Targets

Target	Complete By	Progress
Deliver carbon literacy training to staff and students	June 2024	Climate Change Lead to attend training 21 and 28 March.
Work collaboratively with teaching staff to contextualise sustainable behaviours within the curriculum through embedding into schemes of work.	June 2024	
Develop Sustainability Champions to model embedding sustainability into the curriculum	June 2024 Review annually	CCAT will include colleagues from across all curriculum areas Sustainability champions to be identified to engage with curriculum teams
Undertake a mapping exercise to identify where Sustainable Development Goals (SDGs) are embedded into the curriculum	June 2024	
Enhance sustainable behaviours within teaching and learning	June 2024	Climate change practices are integrated into course frameworks.
Showcase good practice throughout the college and wider community	July 2024	Sustainability - South Lanarkshire College (slc.ac.uk)

Section 7: Estates and Operations

Where are we now?

The College was constructed in 2008 and delivers a range further and higher education courses to approximately 4,000 students. The building has an Energy Performance Certificate (EPC)

In 2009 the College launched a low carbon house project with over 53 partner companies to construct the first affordable low-energy low-carbon house for the mass market. The house would also help combat fuel poverty. This property achieved an A+ EPC with all technologies including solar photovoltaics (PV), solar thermal, ground source heat pump, rainwater harvesting and much more. Fabric was the key ingredient within the build to minimise heat loss and maximise heat input. This work received accolades and was the subject of Scottish parliamentary motions. It catalysed change in the construction curriculum and is now embedded in other parts of the curriculum too.

As the College has grown, and required more space, it embarked on a similar project on a commercial scale. In 2016 the College opened the first Building Research Establishment Environmental Assessment Method (BREEAM) outstanding build in the UK.

Both projects received the Green Gown Award from the Alliance for Sustainability Leadership in Education (EAUC). The two additional standalone builds generate power through solar PV and heat by ground source heat pumps, exporting any additional energy to the national grid.

Over the last eight years, the main building of the college has been adapted to incorporate 220Kwp solar PV systems, air source and ground source heat pumps within the construction wing.

Where do we want to be?

Table 4: Estates and Operations Roadmap/Organisational Targets

Target	Completed By	Progress
Continue to explore additional funding opportunities to support the projects identified in this plan.	June 2024	Successful bid received. Solar panels installed in March 2023
Install Building Management System	June 2024	
Solar car ports incorporating battery storage. External battery wall.	June 2027	
Decarbonise building from gas to electric supplies	June 2026	
Waste recycling improvements	June 2026	

The College will benefit from technology adaptions to help meet the proposed net zero timeframe. These include:

- Decarbonisation of Gas Boilers
- Removal of stored Hot Water
- Solar car ports with battery storage
- Additional heat pumps to take over 100% heat provision
- Battery wall storage
- Water conservation via taps, cisterns and so on
- Airtightness of building
- Mechanical Ventilation with Heat Recovery
- Upgrade central building management system (BMS)

Section 8: Partnerships and Engagement

Where are we now?

The College recognises that collaborative working with industry and professional partners and key stakeholders is essential to achieving net-zero targets. It is proud that this partnership engagement will ensure the most effective outcomes for students and the community which it serves. The Senior Leadership Team is committed to working collaboratively with current partners whilst seeking opportunities to develop further partnerships which promote sustainability activities, raise awareness of the impact of climate change and share the benefits of the circular green economy. The College benefits from hosting key events with external partners which include:

- The Energy Skills Partnerships
- STEM
- Energy Saving Trust
- National House Building Conference (NHBC) Conference
- Heat Pump Mobile Training and Assessment Facility
- Cycling Scotland
- Whitelees Wind Farm
- EAUC
- Marine Conservation Society
- In addition, a number of curriculum areas work with industry and professional partners who are extremely valuable enriching the students' learning experience such as BE-ST

Table 5: Partnership and Engagement: Roadmap and Organisational Targets

Target	Completed By	Progress
Sign the University and Colleges Race to Zero pledge	November 2021	Signed December 2021
Further develop partnerships with key stakeholders	June 2024	

Section 9: Data Collection

Where are we now?

College staff collect weekly data from various sources to paint a picture of utilities used against consumption. This information is passed to the Principalship to present to the Finance and Resources Committee on a quarterly basis to showcase the need for capital investment and savings and also included in the annual Public Body Climate Change Report (PBCCR) The following charts demonstrate the data presented.

Chart 4: Main Building Energy Generated v Used Update charts yearly

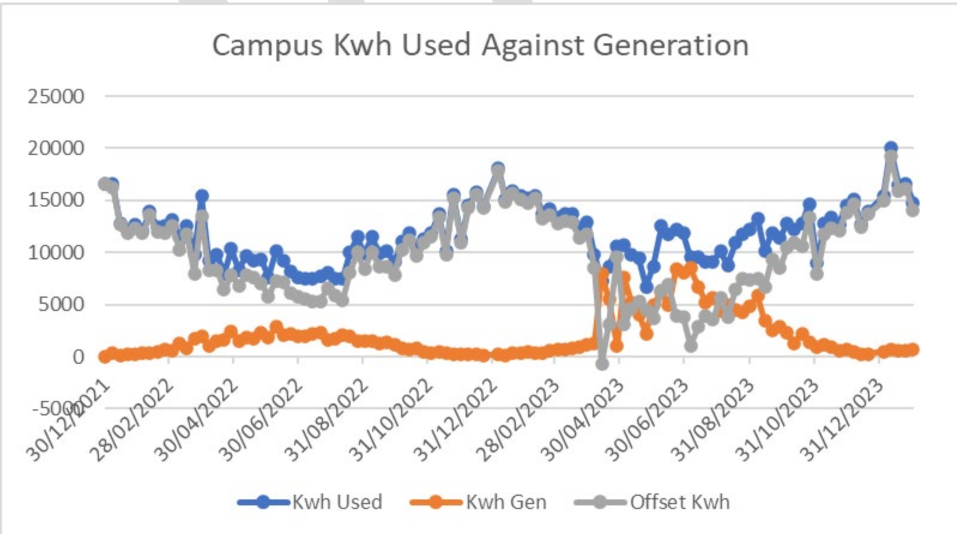


Table 5: Data Collection Roadmap and Organisational Targets

Target	Completed By	Progress
Develop Live data streams from generation sources to website	July 2024	
Data conversion uploaded to Power BI	June 2024	

Section 10: Equality and Diversity

There are no matters for people with protected characteristics which arises from this plan.

Section 11: Risks

The College is committed to implementing and achieving the targets outlined in this plan; however, potential risks have been identified within this document.

Table 7: Risks

Risk	Mitigation
Climate Change Actions within the College do not progress	Establish a College CCAT to review and monitor the actions contained within this plan
Funding applications are not successful	Submit robust funding applications
Climate change activities and behaviours are not embraced by the College community	Promote the benefits of climate change through the CCAT, Student Association, and partners
Failure to comply with planned and long-term strategies	Operational Leads meeting regularly to lead others to progress climate change within the College
If additional funding is required, the college is not able to support this due to future expected funding	Funding applications being put in place

Table 8: Activity Plan (February 2024 to July 2024)

Activity	Jan. 2024	Feb. 2024	March 2024	April 2024	May 2024	June 2024	July 2024
Leadership and Governance							
CEAP to be reviewed and updated annually							
Establish a college wide Climate Change Action Team							
Present and report to Board of Management							
Climate Change included in Departmental Reviews							
Achieve Carbon Literate Organisation Standard							
Sign up to the Sustainable Development Goals Award							
Include sustainable practice within staff inductions.							
Teaching and Learning							
Deliver carbon literacy training to staff and students.							
Undertake a mapping exercise to identify where Sustainable Goals are embedded in the curriculum							
Showcase good practice throughout the College and wider community.							

Activity	Jan. 2024	Feb. 2024	March 2024	April 2024	May 2024	June 2024	July 2024
Estates and Operations							
Continue to explore additional funding opportunities							
Instal Building Management System							
Review solar car ports incorporating battery storage and battery walls (external)							
Review the decarbonisation of building from gas to electric supplies							
Review waste recycling improvements							
Partnerships							
Further develop partnerships with key stakeholders							
Data Collection							
Develop live data streams from generation sources to website							
Data conversion uploaded to Power BI							

South Lanarkshire College

East Kilbride

FINANCIAL SUSTAINABILITY OF COLLEGES IN SCOTLAND 2020-21 TO 2025-26

Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

Scotland's tertiary education and research authority

JANUARY 2024


Photo: UHI Perth

Introduction

The Scottish Funding Council (SFC) has a key role in ensuring that the colleges we fund continue to plan and manage their activities in a way which ensures their sustainability and financial viability. This report provides an aggregate picture of the financial health of Scottish colleges, based on their annual accounts for academic years 2020-21 and 2021-22, and the latest forecasts for the period from 2022-23 to 2025-26 academic years. It does not take into account the most recent budget announcement for 2024-25. Incorporated colleges, non-incorporated colleges and Glasgow Colleges' Regional Board are all included in the analysis[1].

The report also considers key risks that could have a significant impact on colleges' financial sustainability. In the context of our assessment of sector finances, we engage regularly with the Scottish Government, sector bodies and auditors.

It is important to note that the 2020-21 position included a full year of the COVID-19 impact, including additional financial support provided to colleges. Colleges were already facing a series of cost pressures prior to the pandemic, including increases in employer pension contributions, the cost of maintaining buildings and withdrawal from the European Union. The COVID-19 crisis heightened those challenges, particularly for colleges with high levels of commercial income. The results for 2021-22 reflected colleges returning to 'normal' business but the financial sustainability of the sector remains challenging.

We have previously reported on the financial sustainability of the college (and university) sectors in SFC/CP/02/2020, SFC/CP/05/2020, The Financial sustainability of colleges and universities in Scotland – Review report in October 2020, Coherence and Sustainability: Financial Sustainability of colleges and universities in June 2021, and SFC/CP/02/2022.

1 Scotland's Rural College (SRUC) is classed as a higher education institution and is covered in the publication Financial sustainability of universities in Scotland 2020-21 to 2024-25.


Photo: Dundee and Angus College

SFC monitoring and engagement

SFC monitors and assesses the financial health (sustainability and viability) of colleges and supports them in making the best use of their resources through regular engagement and analysis of financial returns which colleges are required to submit to SFC each academic year. SFC also considers colleges' individual circumstances and exposure to risk, capacity to respond to financial challenges and other relevant available information.

Financial sustainability is a condition of grant set out in SFC's Financial Memorandum with colleges. Colleges are responsible for their own financial sustainability and are required to notify SFC if they identify material risks to their financial viability or sustainability.

SFC increases levels of engagement and monitoring activity for those colleges facing risks to their financial health. SFC works closely with such colleges to understand and assess the problem areas and requires colleges to develop plans to bring them back to a sustainable position.

Financial health of the college sector

Key messages

Colleges continue to operate in an extremely tight fiscal environment alongside many challenges, such as increasing staff costs, general inflationary pressures, high energy costs and rising interest rates impacting on loan repayments.

The financial position of colleges is deteriorating. The sector reported an adjusted operating surplus of £7.2m in 2021-22 which represents a deterioration against the 2020-21 result (£19.3m surplus). Eight colleges (30%) reported adjusted operating deficits in 2021-22.

The sector is forecasting an adjusted operating deficit of £27.2m for 2022-23. The deterioration reflects flat cash in SFC grants and reduction in tuition fees relating to higher education provision not matched by the same level of reductions in costs. Twenty-four colleges (92%) forecast adjusted operating deficits in 2022-23. Colleges take a cautious approach to forecasting and in recent years the actual results have often shown an improved position against earlier projections.

Adjusted operating deficits are projected to continue over the next three years. Seventeen colleges (68%) are forecasting adjusted operating deficits in 2023-24, reducing to 13 colleges in 2024-25 and 2025-26.

Colleges remain highly reliant on SFC grant which is forecast by colleges to remain at 78% of total income.

Staff costs continue to be the largest element of colleges' spending (just under 70% of total costs) and are the main focus of savings as colleges try to balance their budgets in the current fiscal environment. **The sector reported staff restructuring costs of £6.7m in 2021-22 and forecasts staff restructuring costs of £13.2m in 2022-23 and £8.2m in 2023-24. Based on current forecasts, significant staff reductions of 2,387 FTEs are projected over the period 2022-23 through to 2025-26, equating to the potential removal of 21% of FTE staff employed in the sector.** Staff reductions are expected through a combination of vacancy management (1,130 FTEs), voluntary severance schemes (1,103 FTEs) and compulsory redundancies (154 FTEs). Given the experience to date of industrial relations within the sector, this level of staff reduction is likely to result in widespread industrial action.

The sector reported an aggregate cash balance of £141.4m at the end of July 2022 but cash reserves are forecast to deteriorate to a cash deficit of £4.2m by the end of July 2026 reflecting colleges' weak operating positions. No college reported a cash deficit at the end of July 2022, but four colleges are forecasting a cash deficit by the end of July 2024, increasing to six colleges by the end of July 2026. This projected deterioration in liquidity, particularly in the context of continually challenging budget settlements and continued high government savings expectations, will make it increasingly difficult for SFC to manage cash advances and reprofile grant payments to ensure colleges have sufficient cash to manage their liabilities, as we have done in the past. It will also become increasingly difficult for colleges to self-fund staff restructuring activity and rebalance their cost base as a pathway to sustainability.

Overall sector borrowing reduced from £244.1m at the end of July 2021 to £232.1m by the end of July 2022. Borrowing is forecast to reduce further to £186.4m by the end of July 2026. Most of the sector's borrowing is in the form of NPD/PFI commitments relating to three colleges. The borrowing figures exclude cash deficits projected by many colleges. **The weakening liquidity increases the risk of covenant breaches and heightens the risk of colleges defaulting on debt repayments.**

The position beyond 2023-24 is uncertain. We know that the budget for 2024-25 will be particularly challenging but there remains uncertainty about future year allocations. The assumptions used for these forecasts included flat cash SFC grant, 3.5% annual pay awards in the latter years of the forecast and Office for Budget Responsibility (OBR) forecasts for inflation to non-staff costs (3%-5% p.a.), in line with Scottish Government advice. **Colleges have also provided SFC with alternative scenarios based on more pessimistic planning assumptions which show an even greater deterioration in the sector's financial position.**

It is important to note that:

- the sector is not homogeneous and there is significant variation in the financial position of individual colleges that is not reflected in the aggregate indicators.
- the financial sustainability of the sector remains extremely fluid with assumptions being constantly updated as circumstances change. The results can only be viewed as a snapshot in time and are historic. Forecasts are not a guarantee of future performance returns and are highly likely to change over the planning period.


Photo: Sabhal Mòr Ostaig

Risks to colleges' financial health

Colleges identified many risks in their returns which could adversely affect their financial health and ability to achieve student activity and other income targets. The most significant risk areas for colleges relate to:

Increasing staff costs due to cost of living pay awards which are still to be negotiated, increases in employer contributions to pension schemes, and the outcome of the job evaluation exercise for support staff.

Difficulties in meeting activity thresholds due to demographic changes and prospective students securing employment or obtaining places at universities instead of going to college, leading to changes to funded activity levels.

Uncertainty over funding recovery exposure due to lower levels of recruitment across the sector and ongoing discussions with colleges around potential mitigations.

The requirement for colleges to self-fund the staff restructuring costs could substantially diminish colleges' available cash balances following the Scottish Government's withdrawal of £26m transformation funding in 2023-24.

Any further unanticipated in-year reductions in funding which would place significant added pressure on colleges to maintain a sustainable trajectory.

The uncertain macro-economic outlook, with inflation reducing but remaining high by historic standards, and rising interest rates.

Rising energy costs with the centrally negotiated contract for college energy costs ending across 2022-23 to 2023-24 and colleges moving onto a new contract. Changes to government support that helps with colleges' energy bills are also proposed for 2023-24 which are likely to make this support less generous.

The impact of cost efficiencies (including the impact of reduced staff numbers, changes to frontline student services and potential decisions about the future of particular campuses) on the quality of student experience, the health and wellbeing of college staff, and breadth and width of the curriculum offered to students.

The impact of the outcome of the **Independent Review of Skills Delivery** and **Purpose and Principles** on the sector, as the Scottish Government continues to develop its response.

The uncertainty of the **UK Government's policies** designed to mitigate the effects of leaving the EU, in particular the development of the Shared Prosperity Fund.

The ability to address **backlog estates maintenance and digital requirements** to deliver a 21st century learning and teaching environment.

The requirement for colleges to invest in the **achievement of public sector net zero targets**, with a recent estimate of the cost of achieving net zero targets across the UK FE sector sitting at £6.7bn[2].

The impact of **reinforced autoclaved aerated concrete (RAAC)** on the college estate with potential building closures and expenditure required to make affected buildings safe for use.

Challenges of diversifying income due to **increased competition** from external providers reducing colleges' ability to generate commercial surpluses.

Delivering against **fragmented funding streams** and programme requirements.

2 The Cost of Net Zero | EAUC

Mitigating actions

Colleges remain heavily reliant on SFC grant (78% of total income) and generating commercial income is challenging in the current fiscal environment. This is mainly due to:

- difficulty in competing for contracts against private sector providers that have lower fixed cost bases (especially staff costs);
- weak liquidity limiting the sector's ability to expand their offer because that may require additional investment; and
- the lack of fiscal flexibilities associated with their public body status to exploit further commercial opportunities.

Colleges have provided assurances that they are addressing the risk of not achieving student activity targets through undertaking scenario and contingency planning, proactive budget monitoring, effective curriculum planning and management, developing stronger partnerships (with schools, universities, employers and industry), increased marketing activity, implementation of business process improvement initiatives, and shifting delivery patterns.

From 2023-24, SFC has made changes to the college funding model as a first step towards a more dynamic, forward-looking approach that will help colleges limit their exposure to the risk of funding recovery due to under-delivery in 2023-24. The changes include:

Introducing a reduced credit threshold, while maintaining the same level of funding as in 2022-23.

Providing a 2% tolerance on the reduced credit threshold.

Aligning the required date with universities for claiming credits, meaning colleges can now claim credits for full-time students on courses lasting over 20 weeks if the student is still in active learning after five weeks from the course start date.

Decoupling 20% of the value of credits to take account of college sunk costs, recognising that colleges bear an element of semi-fixed costs even when credits are not delivered.

Staff costs are the main focus of savings. Colleges have indicated that their options for non-staff cost savings are limited because of previous cost reductions and current inflationary pressures. Many colleges have raised the possibility of compulsory redundancies as a last resort or in order to target staff reductions, as they believe their capacity to achieve savings through voluntary severance schemes, while sustaining coherent provision, is reducing. There will be a significant leadership challenge for colleges to ensure that planned staff reductions do not adversely affect a college's reputation, student outcomes (quality, retention and other performance indicators) and the mental health, morale and turnover of remaining staff. Other mitigating actions colleges are actively considering include curriculum reviews and freezing non-essential spending.

It is important that colleges continue to adapt to the challenging fiscal environment and other uncertainties. Financial challenges are likely to affect individual colleges differently and each college should pursue the mitigating actions that are right for its mission and context. We expect colleges to be alert to the risks to their financial health and have scenario planning and contingency arrangements in place to address them. We encourage colleges to constantly review and consider the range of options available to them so they can take corrective action rapidly as risks begin to emerge.

Colleges should continuously review their operating models and consider options for reducing costs and maximising income in this challenging environment of increasing staff costs, inflationary pressures, high energy costs and interest rates, and flat cash settlements.

In our engagement with colleges we are seeing a mix of strategies being adopted, for example:

- Exploring opportunities for strategic collaborations and consolidation with other institutions or appropriate other bodies, including shared services, centralising costs and business process improvements.
- Reviewing estates to ensure the size, structure and design is right for the college. This could include downsizing; looking at how buildings and facilities are used; disposing of surplus buildings; and reducing annual maintenance costs. We recognise this may require some upfront investment. SFC is supporting colleges in this work through the delivery of the College Infrastructure Strategy published in November 2022 (see page 23) and in tri-partite work with the Scottish Government and Colleges Scotland on the reinvestment of capital receipts following disposal.
- Reviewing teaching provision, with a view to consolidating or rationalising curriculum, including the closure of courses that are considered to be financially unsustainable.
- Developing more commercial income streams although we recognise this can be challenging in the current financial environment, especially due to the lack of fiscal levers available to colleges.

Photo: Glasgow Clyde College

It is recognised that achieving further efficiencies will require significant investment over many years. In addition, some of these strategies could have an impact on student choice and experience, staff and local communities, and on the size, shape and capacity of the sector more widely. SFC will continue to work closely with colleges to understand any such impact and provide appropriate support as colleges explore options to remain financially sustainable.

In considering the future policy and funding environment, these key actions could assist colleges on the path to financial sustainability:

- Multi-year funding settlements and realistic future funding assumptions, to enable colleges to undertake better planning, adapt business models and collaborative activity.
- Continuing to work collaboratively on future funding models.
- Reducing the fragmentation of funding streams.
- Transformation funding to support the way colleges may need to adapt their provision, structures, approach to collaboration and target operating models.
- Providing additional year-end financial management flexibility around the March financial year-end to support the reprofiling of income and expenditure to the end of July, and exploring whether there is potential for enhancing flexibilities for Scotland's colleges within the ONS classification designation.
- Recognising the role colleges play, through specific funding and the review of apprenticeship and work- based learning opportunities, in responding to the needs of employers.
- Engaging positively with the reform programme for post-16 education and skills so that it takes account of the financial and funding context and supports opportunities for colleges to continue to make a difference as anchor regional institutions, in changing lives, and in creating value for Scotland and local communities.
- Supporting national level and efficient infrastructure planning and procurement, for example in relation to estates and digital infrastructure.

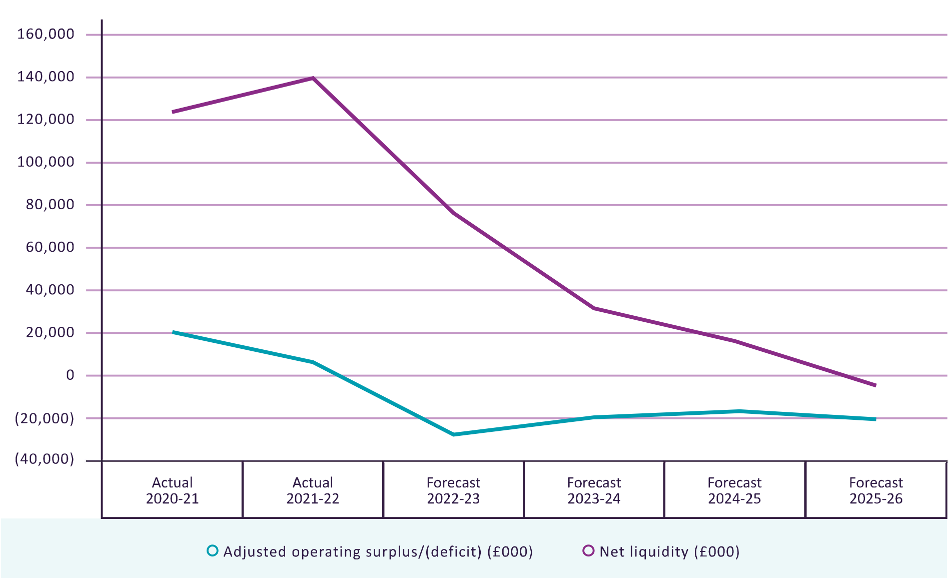
Analysis of financial returns

This section reports on the results of our analysis of data from colleges' 2021-22 annual accounts return (including 2020-21 academic year) and the Financial Forecast Return which provides forecast data for the period from 2022-23 to 2025-26 academic years. The table below provides a summary of key financial information for the college sector over these six years.

Summary of college sector aggregate financial data	2020-21 Actual	2021-22 Actual	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
Total income (£000)	792,332	830,635	814,908	806,684	806,338	808,933
Total expenditure (£000)	839,745	890,753	861,001	842,918	842,447	850,237
Adjusted operating surplus/ (deficit) (£000)	19,320	7,202	(27,187)	(19,178)	(16,620)	(20,335)
Adjusted operating surplus/ (deficit) as % of total income	2.4%	0.8%	(3.3%)	(2.4%)	(2.0%)	(2.5%)
Cash flow from operating activities (£000)	86,244	57,240	(30,175)	(16,361)	8,949	5,436
Cash flow from operating activities as % of total income	11%	7%	(4%)	(2%)	1%	1%
Net liquidity (£000)	122,907	141,438	76,635	31,709	15,004	(4,170)
Net liquidity days	57	62	35	15	7	(2)
Total borrowing (£000)	244,055	232,186	220,818	209,262	197,534	186,378
Total borrowing as a % of total income	31%	28%	27%	26%	24%	23%

At an aggregate sector level, the table above and the graph that follows show a downward trend in the financial health of colleges as shown by the deteriorating underlying operating position and liquidity.

College sector adjusted operating position and net liquidity (£000)



The 2021-22 financial result represented a deterioration against the 2020-21 outturn and the sector is forecasting a further decline in financial operating performance from 2022-23, with costs increasing at a faster rate than income. Liquidity is also forecast to decline from 2022-23 onwards. There remains a significant variation in financial performance across the sector for all years.

The substantial deterioration in the sector's operating position over the planning period is largely due to increases in staff costs, self-financed severance costs (£27.5m) and other operating costs, reflecting inflationary pressures. It is important to note that a portion of the college cost base is fixed or semi-fixed as it forms part of the infrastructure for curriculum delivery which makes further cost reduction challenging to achieve. Increasing commercial income can also be difficult for colleges, as mentioned earlier in the report.

Financial performance

Adjusted operating position

The adjusted or underlying operating position reflects the financial performance of colleges after allowing for non-cash adjustments and other material one-off or distorting items required by the FE/HE Statement of Recommended Practice (SORP). This smoothes volatility in reported results arising from the implementation of Financial Reporting Standard 102 and recognises that some of the reported costs do not have an immediate cash impact on the college. This gives a better indication of colleges' operational cash generating capacity and a clearer picture of colleges' short-term financial health.

The methodology for calculating the adjusted operating position has been agreed following sector consultation to ensure a consistency of approach in the interpretation of colleges' financial performance (Annex C).

Depreciation and pension adjustments (non-cash items that are beyond a college's immediate control) account for most of the difference between the operating position and the adjusted operating position. Incorporated colleges receive a 'non-cash' budget to cover depreciation, but this additional budget is not recognised under the FE/HE Statement of Recommended Practice (SORP) accounting rules. Annual Managed Expenditure (AME) pension adjustments may also impact on the reported operating position. Consequently, we would expect to see operating deficits reported across the college sector.

The sector reported an adjusted operating surplus of £7.2m for 2021-22, which represents a significant deterioration against the previous year's result (£19.3m surplus) due to increases in staff costs, reflecting the impact of the pay award and some additional recruitment. Other operating costs also increased because of the return to campus activity combined with inflationary impacts. Sector income increased due to increased SFC grant more than offsetting the reduction in one-off COVID funding, and a rise in other income due to the return to campus activity more than offsetting the loss of furlough funding. Tuition fee and education contract income also increased against the previous year's levels.

The 2022-23 forecast shows a sector adjusted operating deficit of £27.2m. The deterioration against the 2021-22 outturn reflects forecast reductions in SFC grants and HE tuition fees and the lack of corresponding reductions in costs. Further substantial deficits of £19.2m, £16.6m and £20.3m are projected in 2023-24, 2024-25 and 2025-26 respectively.

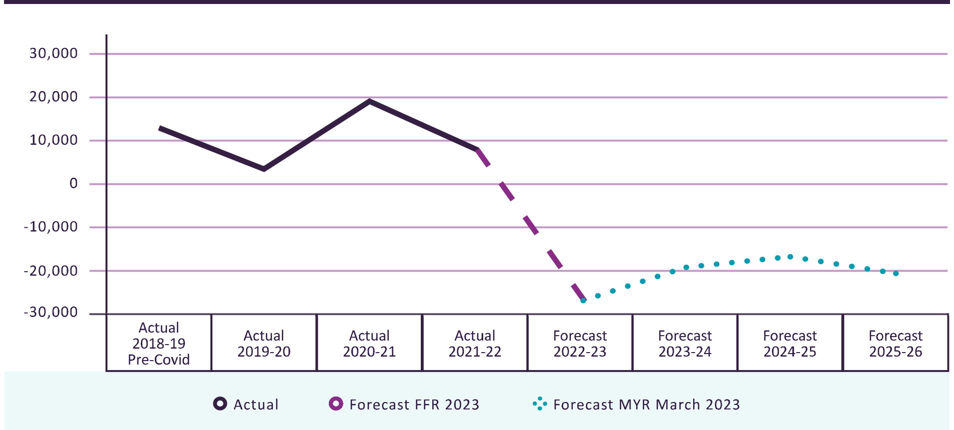
Nine colleges (33%) reported an adjusted operating deficit in 2021-22 compared to three (11%) colleges in 2020-21. A total of 24 colleges (92%) forecast adjusted operating deficits in 2022-23, reducing to 17 colleges (68%) in 2023-24 and 13 colleges (52%) in the final two years.

The number of colleges forecasting adjusted operating deficits is of real concern and it is clear that many colleges are not sustainable on the basis of these forecasts. However, these forecasts do reflect a snapshot in time. Alternative scenarios with more pessimistic planning assumptions show an even greater deterioration in the sector's financial position.

Photo: UHI Perth

The graph below illustrates the marked deterioration in the forecasts[3] against the actual outturns from 2018-19 to 2021-22.

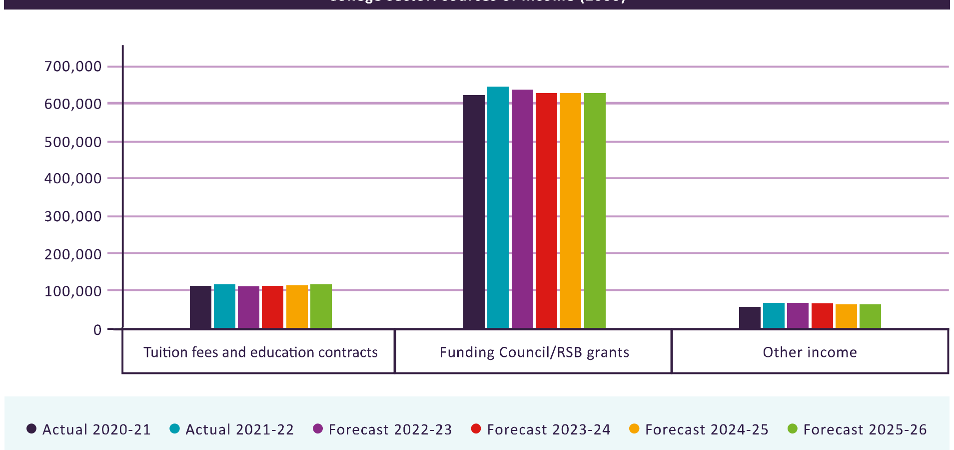
College sector: adjusted operating position 2018-19 to 2025-26



Income

The graph below shows the projected movement in sector income over the period from 2020-21 to 2025-26.

College sector: sources of income (£000)



3 MYR is the Mid-Year Return collected at the end of March which provides a budget update for the current year only against the original budget

Total sector income increased by 4% in 2021-22 but is expected to decrease over the remainder of the forecast period.

Colleges remain heavily reliant on SFC grant which for the purposes of these forecasts was projected by colleges to remain flat and at around 78% of overall sector income throughout the forecast period, although there is some minor variation in grant reliance across the sector. Several colleges do not expect to achieve student activity and other income targets during 2022-23 and some (but not all) have included recovery of SFC grant in their latest forecasts, reducing their projected income further.

The primary source of non-SFC income is tuition fee and education contract income. Other income generating activities include residence and catering income. Several colleges have trading subsidiaries which contribute to commercial income. There has been some recovery in trading subsidiary revenue and catering income in 2021-22 because of the return to on-campus activity after the relaxation of pandemic measures. However, non-SFC income is forecast to remain relatively flat from 2022-23 onwards.

Recruitment challenges

Approximately half of all colleges anticipate they will have under-delivered their student activity in 2022-23 because of the continued impact of the buoyant labour market and competition from universities. This has been reflected in the reduction of higher education fee income in the sector as students opt to go into employment or attend university.

Several colleges have continued to experience recruitment challenges over recent years due to reductions in demand driven by demographic trends, in particular the decline of the population of 16- to 24-year-olds in their regions. Recruitment performance ranges from 90% to 127% against target.

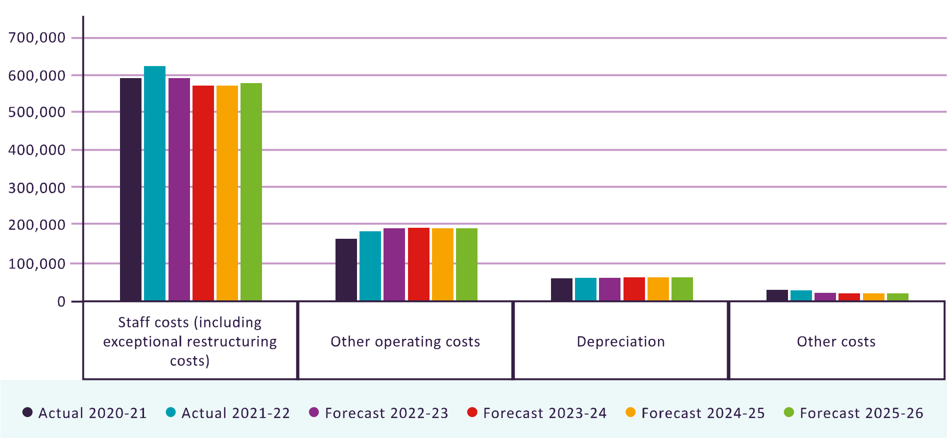
As colleges work to address shortfalls and the data cleansing and audits are finalised, these figures are likely to change. The current level of delivery at the sector level is 98.0%. SFC continues to consider the implications of this shortfall as figures are finalised and arrangements are made for recovery of funding.

Photo: City of Glasgow College

Expenditure

The graph below shows the projected movement in sector expenditure over the period from 2020-21 to 2025-26:

College sector: types of expenditure (£000)



Staff costs represent the largest element of expenditure for colleges at 69% of total costs in 2021-22. The results for 2021-22 reflected increased pay costs and employer contributions to pension schemes. One-off savings from freezes to non-essential recruitment activity have not recurred in 2021-22 though some colleges have reported difficulties in recruiting staff due to tight labour market conditions.

Underlying staff costs, excluding severance and pension costs, are forecast to increase by £14.1m (2.5%) in 2022-23, before decreasing by £15.8m (2.7% reduction) in 2023-24 due to the savings generated from previous severance activity. Colleges have assumed a pay increase of 5% for 2022-23 and 3.5% thereafter in their forecasts, but this could be understated given current inflation and the ongoing negotiations on the pay offer. Staff costs are projected to increase by £5.7m (1.1%) in 2024-25 and by £9.1m (1.6%) in 2025-26, reflecting the continued impact of pay awards.

An additional staff cost pressure which colleges are likely to face from April 2024 is increased employer pension contributions because of changes in the discount rate being applied to the Scottish Teachers Superannuation Scheme. The UK Government intends to provide funding to affected government bodies to meet this additional cost. The Scottish Government provided £7.5m funding to colleges to support the change to the employer contribution rate from September 2019.

Other operating expenses are forecast to increase across the forecast period reflecting the resumption of full campus operations. Utilities costs are expected to rise consistently over the forecast period, increasing from £16.4m in 2021-22 to £27.0m by 2025-26 (64% increase).

Photo: Edinburgh College

Staff restructuring plans

Thirteen colleges spent £6.7m on staff restructuring costs in 2021-22 (2020-21: £6.5m across 12 colleges). Colleges intend to spend a further £27.4m on staff restructuring activity over the forecast period to 2025-26. This is expected to be funded from within colleges' existing resources. Several colleges have indicated that they may have to resort to compulsory redundancies to achieve the level of savings required to rebalance their financial position. In addition to voluntary and compulsory severance, colleges are also generating savings through vacancy management.

Savings tend to be generated in the year after the voluntary severance investment is made due to departures occurring at or near the end of the academic year. Colleges believe voluntary departures are now more difficult to secure due to the volume of severance previously undertaken and the perceived unattractiveness of the terms of schemes to those staff that remain. In some cases, colleges are no longer able to afford voluntary severance. The sector anticipates using compulsory redundancies in future.

Based on colleges' 2023 Financial Forecast Returns, the expected reduction of 2,387 FTE equates to the removal of 21% of FTE staff employed in the sector. Colleges have highlighted the impact of this level of staff reduction on the student experience. This could compromise colleges' ability to deliver both the breadth and quality of provision and there is a risk to maintaining business as usual when undertaking such fundamental restructuring.

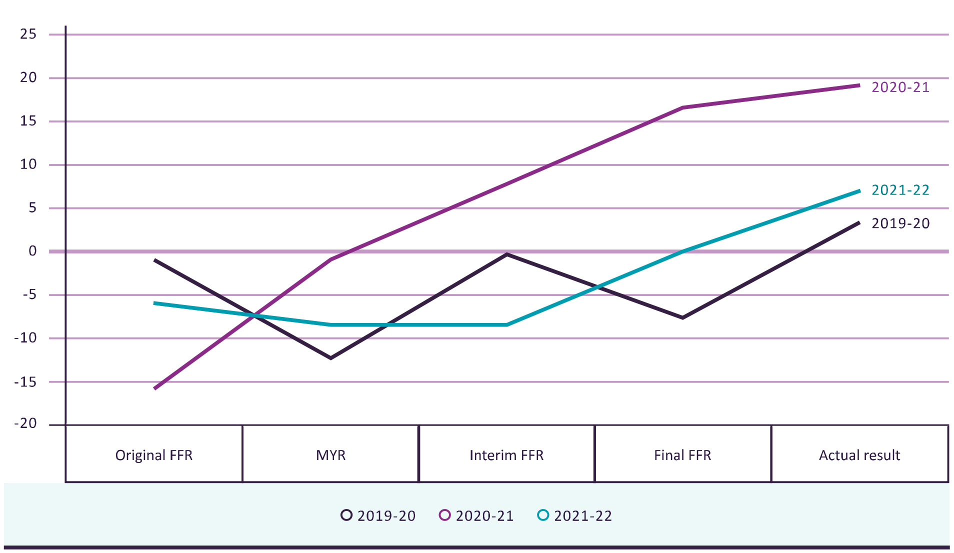
The level of staff reductions, including the potential for significant levels of compulsory redundancies, has already led to industrial relations challenges at several colleges, including ballots for industrial action.

Accuracy of forecasting

For most colleges, movements between actual results and forecast figures can largely be explained by adjustments being made to react to new information. In the last few years, forecasting was difficult due to the uncertainty surrounding the continuing impact of the pandemic, coupled with recent economic uncertainty. To consider the accuracy of forecasting we use historical forecasts and compare them to the actual results. The most recent year of actual results was 2021-22 academic year.

The movements in the adjusted operating position for academic years 2019-20, 2020-21 and 2021-22 are set out in the graph below:

College sector: adjusted operating surplus/(deficit) (£million)



Improvements in actual outturns against forecast have occurred in most years as shown in the graph above. For 2021-22, the initial projected deficits reflected the uncertainty around SFC funding recovery and some uncertainty about the overall impact of the return to campus activities, pay awards and non-pay cost inflation. By the time of the submission of the September 2022 FFR, the positions on some of the above issues had become clearer and this led to colleges forecasting a substantially improved result of £0.2m surplus.

The final outturn reported in colleges' 2021-22 annual accounts was an adjusted operating surplus of £7.2m surplus which represented a favourable variance of £12.9m against the original September 2021 FFR and £7m against the September 2022 FFR forecast. Four colleges reported positive variances against the September 2022 FFR forecast of around £1m which account for most of the overall £7m variance.

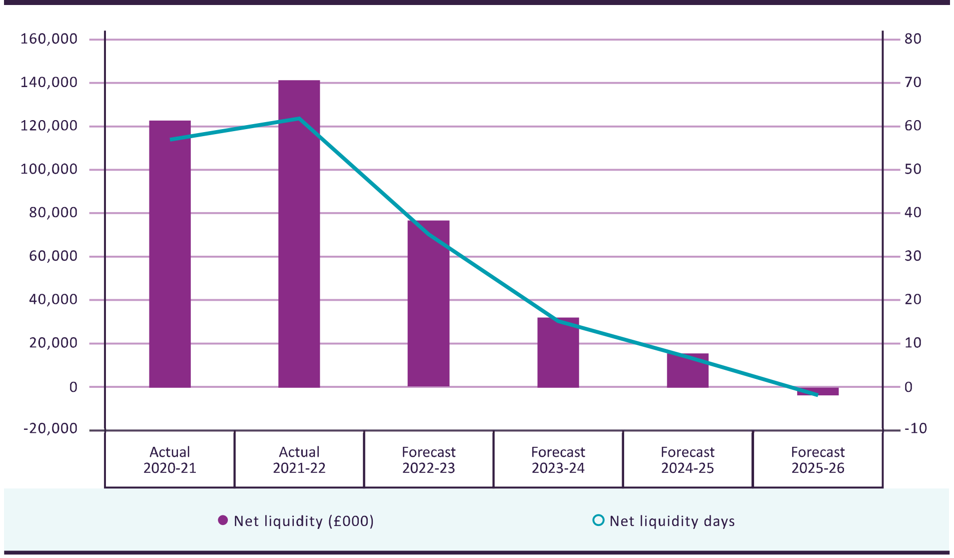
We will continue to work with colleges on the accuracy of forecasting as part of our assessment of financial returns for 2022-23 and the current academic year. While SFC recognises that colleges need to make adjustments to their forecasts as they react to new information, they should ensure that their forecasts are as accurate and dependable as possible in future years.

Financial position – strength and resilience

Liquidity

Cash balances and number of days expenditure held in cash reserves are key performance indicators. The graph below shows levels of sector cash reserves and days ratio of cash to total expenditure over the period from 2020-21 to 2025-26.

College sector: liquidity



The sector reported a cash balance of £141.4m at the end of July 2022. Cash reserves are forecast to reduce by 46% to £76.6m by the end of July 2023 reflecting colleges' weak operating positions. They are projected to further deteriorate to a cash deficit of £4.2m by the end of July 2026 reflecting further weakening of colleges' operating positions and the spend or return of unspent SFC ring-fenced grants (including unspent student support funds and colleges delaying capital works due to COVID-19 and increased construction inflation) which inflated the July 2022 figures.

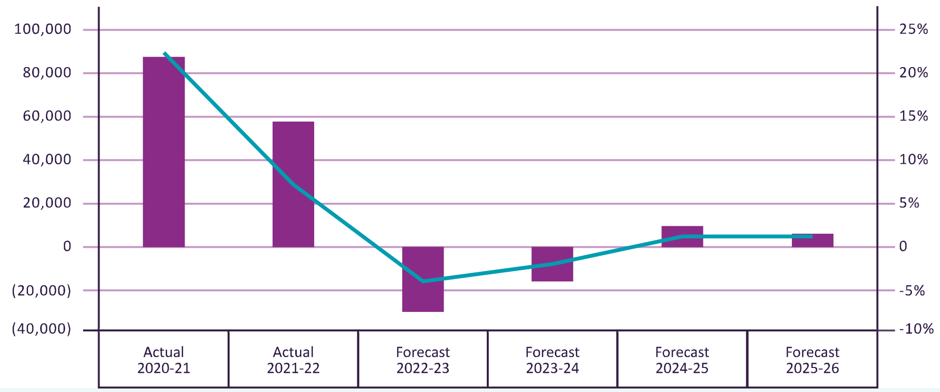
The number of colleges forecasting a cash deficit is expected to increase from one college at the end of July 2023 to four colleges (16%) by the end of July 2024, and to six colleges (24%) by the end of July 2026. It should be noted that the college forecasting a cash deficit at the end of July 2023 subsequently reported a positive cash position, having received a cash advance from SFC prior to the end of the academic year.

The sector cash deficit forecast from 2023-24 onwards is at such a high level that it may become difficult for SFC to manage cash advances through reprofiling grant payments. It would also become increasingly difficult for colleges to self-fund staff restructuring activity. The range of negative cash balances at the end of July 2026 (the year of maximum exposure) sits between £866k to £11.5m.

Cash flow

Net cash inflow from operating activities is an important measure of colleges' financial health as it does not include any items of non-cash expenditure (such as depreciation, amortisation and adjustments for pension liabilities), or income from and expenditure on financing activities. It illustrates an institution's ability to generate sufficient cash to repay debt and for estates investment. The graph below shows the sector's net cash inflow as a percentage of total income over the period from 2020-21 to 2025-26.

College sector: net cash flow from operating activities



● Net cash inflow from operating activities (£000) ○ Average net cash inflow from operating activities as % of total income

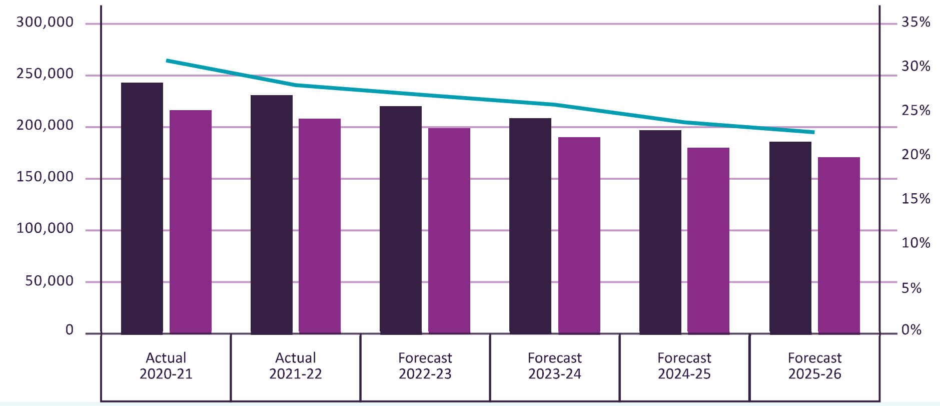
In 2021-22 there was an inflow of operating cash of £57m, equivalent to 7% of total sector income (2020-21: £86m inflow, 11% of income). The forecast for 2022-23 shows a net cash outflow of £30.2 million (4% of total income) with a further net cash outflow of £16.4m (2% of total income) in 2023-24 before returning to positive net cash inflows (1% of income) in the final two years. This reflects the weaker projected operating positions across the forecast period and the impact of high severance costs at the beginning of the forecast period with the savings accruing in later years.

Seven colleges (27%) reported a net cash outflow from operating activities in 2021-22 (2020-21: nil colleges). Twenty colleges (77%) are forecasting net cash outflows from operating activities in 2022-23, reducing to 11 colleges (44%) by the end of the forecast period.

Borrowing

The graph below shows the sector's borrowing and the ratio of borrowing as a percentage of total income over the period from 2020-21 to 2025-26.

College sector: borrowing



● Total borrowing (including NDP/PFI) ● Total NPD/PFI ○ Total borrowing as % of total income

Total borrowing (including legacy bank loans, finance leases and NPD/PFI commitments) is expected to reduce by 19.7% from £232.2m at the end of July 2022 to £186.4m at the end of July 2026. Excluding NPD/PFI commitments, borrowing is forecast to decrease by 36% from £23.6m to £15.0m. Twelve colleges (50%) are projecting outstanding borrowing at the end of July 2026 including NPD/PFI debt. It is important to note that the borrowing figures exclude the cash deficit projected by many colleges in the forecast period.

No college reported any breach of bank covenants during 2022-23 or is forecasting doing so in 2023-24. Given the forecast deterioration in the sector's forecast operating and cash positions, there is a heightened risk of colleges breaching their covenants and defaulting on debt repayments in the later years of the forecast.

Capital Expenditure

Sector capital expenditure amounted to £33.0m during 2021-22, 45% higher than the previous year's total of £22.8m. Capital spend of £189.0m is projected over the planning period. SFC capital grants are forecast to fund £178.7m of this capital expenditure with the remainder being financed through a mix of grants from arms-length foundations, non-SFC grants (such as City Deal funding) and reserves.

College Infrastructure Strategy

In November 2022, SFC published the “College Infrastructure Strategy: the approach to delivering Scotland’s College Infrastructure Plan”. The strategy sets out the collective approach between SFC and colleges to develop an Infrastructure Investment Plan (IIP) for Scotland’s colleges covering the period 2024-2034. The plan will identify infrastructure investment needs for the college sector, including investment in net zero, training equipment and digital infrastructure essential for a sustainable college estate.

Working with Colleges Scotland, SFC has developed a delivery plan for the strategy. In collaboration with Colleges Scotland, we have also developed a set of governance, monitoring and reporting arrangements that will ensure the engagement of appropriate stakeholders including colleges, the Scottish Government and Scottish Futures Trust (SFT) in the strategy delivery. These arrangements include:

- The Infrastructure Delivery Group (IDG) to support, advise, monitor and report on progress of the delivery plan.
- The College Infrastructure Departmental Assurance Group to provide appropriate challenge and support to IDG, and to build consensus across the Scottish Government, SFC and SFT officials for the provision of updates and advice to Scottish Government Ministers.

Pension Liabilities

Nearly all college staff belong to one of the two pension schemes, the Scottish Teachers Superannuation Scheme (STSS) or the relevant Local Government Pension Scheme (LGPS). The STSS is a notional fund and, therefore, colleges are unable to identify and report their share of the underlying assets and liabilities. Pension liabilities reported in colleges’ financial statements therefore relate to the LGPS multi-employer defined benefit schemes.

Pension Liabilities				
	2018-19 Actual £000	2019-20 Actual £000	2020-21 Actual £000	2021-22 Actual £000
Sector Pension (Liability)/Asset	(253,165)	(467,984)	(354,477)	74,779

The overall sector liability decreased from a deficit of £354.5m at the end of July 2021 to a surplus of £74.8m by the end of July 2022 due to the improved performance of scheme assets exceeding the scheme liabilities.

Ten colleges (38%) have recognised a pension asset in respect of this improvement in investment performance with nine (35%) reporting improved deficits. Six colleges (23%) reported a nil balance. The difference in disclosure and treatment is because of differences in audit approach which capped the recognition of the beneficial movement in the colleges that reported a nil balance.

Arms-Length Foundations

Arms-length foundations (ALFs) were established to mitigate the impact of the reclassification of colleges in relation to cash reserves and future commercial surpluses. Colleges had the option of establishing a local ALF or participating in the sector ‘umbrella’ ALF (Scottish Colleges Foundation). Colleges donated a total of £99m to ALFs before they were reclassified on 1 April 2014. This included £25.3m donated to the Scottish Colleges Foundation. This represented cash balances accumulated by colleges over numerous years.

SFC maintains a close overview of ALFs given the magnitude of public funds donated to ALFs and the levels of scrutiny in this area. SFC’s Finance Committee receives annual assurance on the stewardship of public funds donated by colleges to ALFs along with details of the inflow and outflow of funds.

In financial year 2021-22 (1 April 2021 to 31 March 2022), ALFs paid grants of £7.9m to colleges. This is a significant (72%) increase on £4.6m in 2020-21. Colleges also donated £460k to ALFs resulting in a net reduction on ALF balances of £7.5m (40%). The remaining balance in the ALFs at the end of financial year 2021-22 was £11.3 million.

The sector provided SFC with forecast movements for 2022-23. ALF balances are expected to have increased by £0.4m (3.5%) to £11.7 million by 31 March 2023. Colleges have donated £2.6m to ALFs and expected to receive £2.1m grant funding from ALFs. SFC will consider and report on the accuracy of these projections in its analysis of ALFs’ audited 2022-23 financial statements once these are available.

ALFs are charitable organisations. Their independent nature means that they are accountable to the Office of the Scottish Charity Regulator (OSCR) and Companies House where the legal form of the ALF is a company limited by guarantee. Colleges are required to submit funding applications to ALFs to access funds but there is no guarantee that these applications will be successful. Nevertheless, existing legislation governing charities, companies and contracts, as well as audits and OSCR’s wide-ranging powers in the supervision of charities, provide a series of safeguards in terms of the governance and application of these funds.

Photo: Forth Valley College

Annex A: Summary: college sector operating position, underlying operating position, liquidity and borrowing

College sector: operating position, underlying operating position, liquidity and borrowing								
Incorporated colleges	Operating surplus/(deficit)		Adjusted operating surplus/(deficit)		Cash and cash equivalents less overdraft		Total borrowing	
	2020-21 Actual £000	2021-22 Actual £000	2020-21 Actual £000	2021-22 Actual £000	2020-21 Actual £000	2021-22 Actual £000	2020-21 Actual £000	2021-22 Actual £000
Ayrshire College	(1,082)	(1,479)	2,331	3,232	8,201	12,713	46,272	43,727
Borders College	(697)	(1,711)	307	332	4,018	4,199	0	0
City of Glasgow College	(4,145)	(4,196)	73	(469)	12,250	14,987	134,538	129,290
Dumfries and Galloway College	(1,922)	(2,137)	14	(70)	1,923	2,169	0	61
Dundee and Angus College	(2,172)	(2,054)	2,164	(1,450)	5,853	6,248	3,179	2,726
Edinburgh College	(6,593)	(8,081)	884	(134)	5,289	5,494	8,949	8,408
Fife College	(4,425)	(1,141)	1,609	1,425	11,588	15,234	5,106	3,579
Forth Valley College	(963)	(4,662)	2,217	616	4,420	5,500	3,378	3,185
GCRB	61	(131)	151	4	2,984	2,676	0	0
Glasgow Clyde College	(4,068)	(3,873)	572	787	8,535	10,433	0	0
Glasgow Kelvin College	(2,231)	(1,404)	876	1,092	3,783	4,157	227	227
UHI Inverness	259	(1,474)	1,854	427	6,204	7,496	36,409	35,589
UHI Outer Hebrides	(197)	(1,589)	615	(479)	365	290	0	0
UHI Moray	(852)	(783)	(15)	0	1,795	1,540	302	251
New College Lanarkshire	(7,317)	(6,640)	(1,689)	(1,432)	10,874	7,367	0	0
North East Scotland College	(908)	(2,689)	2,332	468	6,517	9,198	0	0
UHI North Highland	(667)	(1,739)	659	(252)	586	1,132	1,147	1,076
UHI Perth	(1,587)	(2,292)	1,050	309	3,803	3,625	8	4
South Lanarkshire College	356	(1,204)	1,604	1,078	3,473	3,628	0	0
West College Scotland	(5,738)	(6,294)	223	512	8,776	12,826	1,420	1,088
West Lothian College	(1,742)	(2,636)	738	(81)	2,749	2,829	2,211	2,211
Total incorporated colleges	**(46,630)**	**(58,209)**	**18,569**	**5,915**	**113,986**	**133,741**	**243,146**	**231,422**
Non-incorporated colleges								
UHI Argyll	966	377	1,288	908	4,991	5,406	0	0
Newbattle Abbey College	(51)	(101)	108	82	1,361	330	16	0
UHI Orkney	(511)	(784)	37	367	n/a	n/a	n/a	n/a
SMO	101	97	101	97	1,179	888	509	453
UHI Shetland	(973)	(1,863)	(973)	(657)	n/a	369	n/a	0
UHI West Highland	190	365	190	490	1,390	704	384	311
Total non-incorporated colleges	**(278)**	**(1,909)**	**751**	**1,287**	**8,921**	**7,328**	**909**	**764**
Sector total	**(46,908)**	**(60,118)**	**19,320**	**7,202**	**122,907**	**141,438**	**244,055**	**232,186**

Annex B: College Regions

The college sector in Scotland comprises 19 incorporated colleges and five non-incorporated colleges, organised into 13 college regions[4]. Ten of these regions consist of one college. The three remaining regions (Glasgow, Highlands & Islands, and Lanarkshire) have more than one college. The individual colleges in Glasgow and the Highlands & Islands are assigned to the relevant Regional Strategic Body: Glasgow Colleges' Regional Board or University of the Highlands & Islands (UHI)[5]. In Lanarkshire, New College Lanarkshire is the Regional Strategic Body and South Lanarkshire College is assigned to the Lanarkshire Board. Details of all regions and colleges are set out on the next page.

Fundable bodies in the college sector can be incorporated or non-incorporated. Before the Further & Higher Education (Scotland) Act 1992, almost all publicly funded colleges in Scotland were run by local authorities. In 1993, most of these colleges were established with boards of management constituted under the 1992 Act. Colleges with a board of management constituted under the 1992 Act are commonly referred to as incorporated colleges. Incorporated colleges were reclassified as arms-length central government bodies in 2014 and are subject to Government budgeting and accounting requirements and are required to comply with the Scottish Public Finance Manual.

The 1992 Act does not govern the non-incorporated colleges which take a number of different legal forms and/or have differing constitutional arrangements. One non-incorporated college, UHI Orkney, is run by its local authority.

Photo: Glasgow Kelvin College

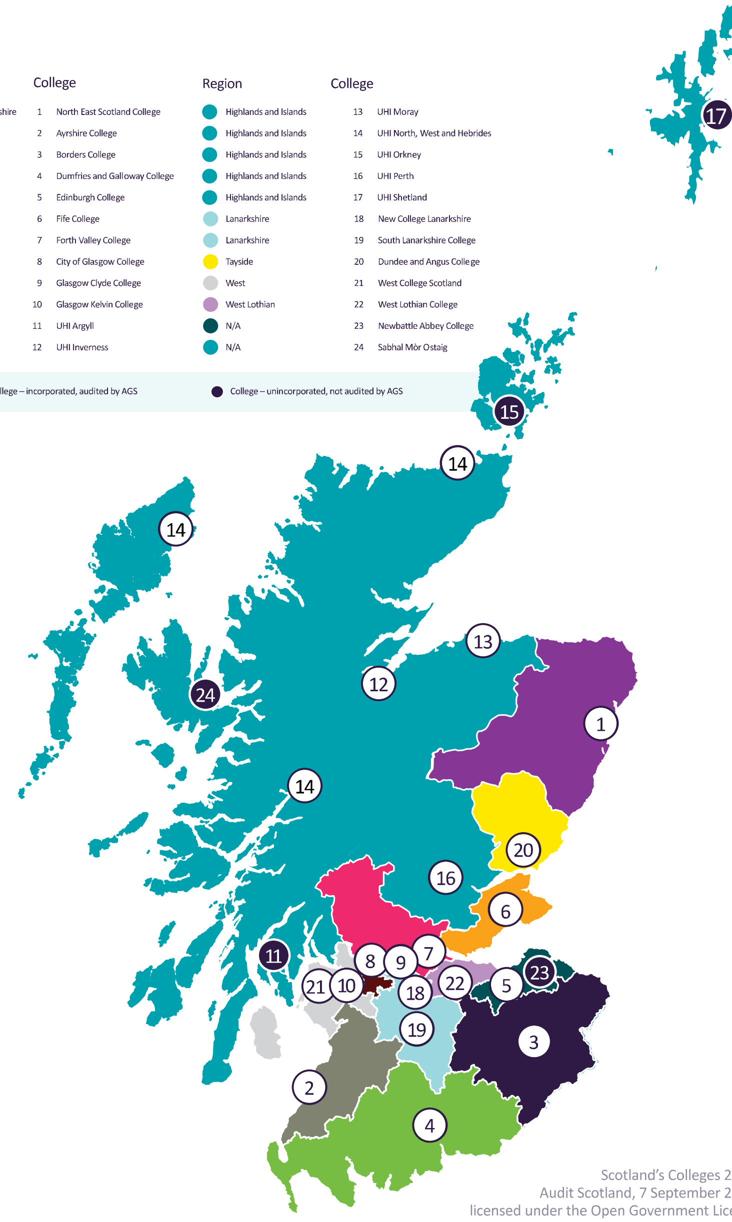
4 UHI Outer Hebrides, UHI North Highland and UHI West Highland merged to become UHI North, West and Hebrides from 1 August 2023.

5 Five colleges (UHI Argyll, UHI Inverness, UHI Moray, UHI Orkney and UHI Perth) are currently assigned to UHI with UHI Shetland and UHI North, West and Hebrides due to be assigned in due course.

Annex C:

Region		College	Region		College
Aberdeen and Aberdeenshire	1	North East Scotland College	Highlands and Islands	13	UHI Moray
Ayrshire	2	Ayrshire College	Highlands and Islands	14	UHI North, West and Hebrides
Borders	3	Borders College	Highlands and Islands	15	UHI Orkney
Dumfries and Galloway	4	Dumfries and Galloway College	Highlands and Islands	16	UHI Perth
Edinburgh and Lothians	5	Edinburgh College	Highlands and Islands	17	UHI Shetland
Fife	6	Fife College	Lanarkshire	18	New College Lanarkshire
Central	7	Forth Valley College	Lanarkshire	19	South Lanarkshire College
Glasgow	8	City of Glasgow College	Tayside	20	Dundee and Angus College
Glasgow	9	Glasgow Clyde College	West	21	West College Scotland
Glasgow	10	Glasgow Kelvin College	West Lothian	22	West Lothian College
Highlands and Islands	11	UHI Argyll	N/A	23	Newbattle Abbey College
Highlands and Islands	12	UHI Inverness	N/A	24	Sabhal Mòr Ostaig

College – incorporated, audited by AGS   College – unincorporated, not audited by AGS



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Annex D: College adjusted or underlying operating position

The underlying operating position is a better indicator of colleges' operational cash generative capacity.

The adjustments to the operating position to give the underlying operating position for the colleges have two purposes:

- Smooth the volatility in reported results arising from the FRS 102 accounting standard; and
- Recognise some of the reported costs do not have an immediate cash impact.

The reported operating surplus/(deficit) figures have been adjusted for:

- Depreciation net of deferred capital grant (incorporated colleges only).
- Exceptional non-restructuring costs (impairments and lease dilapidation costs).
- Non-cash pension adjustments.
- Donations to arms-length foundations (ALFs) (incorporated colleges only).
- Non-Government capital grant (e.g. ALF capital grant).
- Exceptional income.
- Loan repayments (incorporated colleges only).
- Non-Profit Distributing Project (NPD) income applied to reduce NPD debt.

Cover Photos:
Dundee and Angus College
UHI Perth
UHI Moray
Glasgow Clyde College
Edinburgh College

Scottish Funding Council
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COLLEGE INFRASTRUCTURE STRATEGY: THE APPROACH TO DELIVERING SCOTLAND'S COLLEGE INFRASTRUCTURE INVESTMENT PLAN

Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

REFERENCE: SFC/CP/03/2022

ISSUE DATE: 24/11/2022

COLLEGE INFRASTRUCTURE STRATEGY: THE APPROACH TO DELIVERING SCOTLAND'S COLLEGE INFRASTRUCTURE INVESTMENT PLAN

ISSUE DATE: 24 November 2022

REFERENCE: SFC/CP/03/2022

SUMMARY: This strategy describes the Scottish Funding Council's approach to determining future investment in Scotland's college estate and other college infrastructure.

FAO: Principals, Chairs and Board Secretaries of Scotland's colleges and universities, Scottish Government directorates and agencies with a remit for Scotland's infrastructure, and the general public.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

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 communities.

This strategy describes the Scottish Funding Council's approach to determining future investment in Scotland's college estate and other college infrastructure. The strategy sets out the collective approach between SFC and colleges to develop an **Infrastructure Investment Plan** for Scotland's colleges. The plan, which will cover the period from 2023 - 33, will identify infrastructure investment need, which includes investment for net zero, training equipment and digital needed for a sustainable college estate to deliver the desired outcomes for students, staff and communities.

The strategy is a response to the Programme for Government 2021-22 commitments that the Scottish Government "will work with SFC to develop an estates strategy for Scotland's colleges, establishing priorities for investment". It has been developed with reference to Scotland's Learning Estate Strategy (2019), Scottish Government's Infrastructure Investment Plan and other relevant strategies linked to skills and economy such as the National Strategy for Economic Transformation (2022).

The SFC Review of Coherent Provision and Sustainability, published in 2021, recommended developing a national vision and strategy for college estates and provides the framework and ambition for this strategy.

This strategy was developed by SFC in consultation with the college sector, drawing on an agreed set of principles and recognises the **urgent need** for significant investment into our college estate. The guiding principles are that future infrastructure investments should:

- Deliver positive student experience and outcomes.
- Provide equitable access to suitable college infrastructure across Scotland, including use of digital.
- Enable colleges to deliver their strategic plans.
- Ensure that future capital investment responds to future needs, including digital delivery and does not only replace like for like.
- Provide flexibility of funding to support a range of types and scale of capital projects.
- Demonstrate collaboration, such as with other colleges, schools, universities, Local Authorities and health care providers.
- Provide a clear, transparent, evidence-based decision-making process.

College operating models have evolved in recent years, especially through the uptake of digital and hybrid learning during the pandemic. The emergence of new economic and societal priorities such as regional shifts in employment, skill needs and demographic changes, have led to colleges reconsidering their delivery strategies to remain relevant and successful. Colleges will need to prioritise investment into their digital infrastructure, respond to the climate emergency, and size their estate in response to future demographic and learning trends, and collaboration opportunities.

SFC, colleges and Audit Scotland recognise that investment needed for the college estate has outstripped available government capital funding for some time. This includes critical estate maintenance and improvements. The College Sector Estates Survey in 2017 estimated £360m would be required for backlog maintenance and removals costs. No alternative funding model has been developed since the Non-Profit Distribution (NPD) resource-based funding was withdrawn in 2016.

SFC will prepare an **Infrastructure Investment Plan** for Scotland's colleges to include:

- A college specific description of the investment required and an estimate of its value to deliver its strategic plans.
- Potential funding solutions for the proposed capital investments.
- A revised, transparent, evidenced-based process for assessing, prioritising, and allocating capital funding.

We anticipate two main types of estates developments for which SFC will assess and evaluate the investment need and allocate any future funding:

- Strategic investments for the delivery of new provision of learning and teaching, including in response to the pandemic, future economy and climate emergency.
- Replacement or major redevelopment of college buildings or campuses to deliver equitable and sustainable provision.

This strategy comprises three parts:

- **Part one** provides the background and strategic context for the Capital Investment Plan.
- **Part two** sets out the strategic principles, strategies and policies that will guide our future investments.
- **Part three** describes what we will deliver and the steps to be taken to ensure the right type of investment.

Critical to delivery is the availability of funding. SFC will lead the work, supported by colleges, government(s) and others, to explore and consider opportunities for additional and new models of funding a wide range of infrastructure projects. SFC and the colleges will agree a joint action plan, with agreed deliverables, milestones and timescales for delivering this strategy.

1: INTRODUCTION AND CONTEXT

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.

INTRODUCTION

1. Our college estates are major strategic assets. They are a critical part of Scotland's infrastructure and integral to the success of the communities and economy that they serve. Attractive, technologically current, and fit-for-purpose estates are essential to deliver our colleges' core purpose in delivering successful outcomes for their students.

2. Scotland has 26 colleges, 20 of which are classed as "incorporated colleges", having a Board of Management constituted under the Further and Higher Education (Scotland) Act 1992. They are arms-length central government bodies subject to the Scottish Government regulatory and reporting framework. The remaining six colleges are "non-incorporated" and take several different legal forms with differing constitutional arrangements (Annex A). The Scottish Funding Council (SFC) is the national, strategic body responsible for investing in tertiary education, research and knowledge exchange through Scotland's colleges and universities.

3. This 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 SFC and colleges to develop an Infrastructure Investment Plan for Scotland's colleges. The plan, which will cover the period from 2023 to 2033, will identify infrastructure investment needed for a sustainable college estate, including digital, to deliver the desired outcomes for students, staff, and communities.

4. The strategy has been developed by SFC in consultation with colleges, working with Colleges Scotland which is the voice of the college sector in Scotland. This strategy recognises the urgent need for significant investment into colleges across all parts of Scotland. College estates need to be refurbished, renewed or realigned to meet future local needs and national priorities. Investment is required into buildings, digital infrastructure, low emission and renewable power and heating/cooling systems, student welfare and leisure facilities, equipment, transportation and residencies. This includes critical estate maintenance and improvements, with the 2017 College Sector Estates Survey estimating £360m cost for backlog maintenance and removals costs.

CONTEXT

5. Scotland's colleges comprise a mix of large, multi-campus, metropolitan institutions, and

those of a smaller, rural nature. Colleges are significant economic contributors locally and nationally, employing over 14,000 staff directly, to deliver teaching and learning to a diverse community of 265,000 learners each year. Around 17% of these learners are under 16 years old and getting their first taste of work-based learning, approximately 40% are aged 16-24, and the balance are over 25.

6. Colleges are integral to achieving a fairer and more equal society; providing opportunities to those furthest from the labour market to access further and higher education. They provide opportunities for social inclusion, improved life chances for children and young people, and an opportunity to break the cycle of child poverty.

7. The strategy recognises that the COVID-19 pandemic has had critical implications for colleges such as changes in demand for the type of skills, delivery methods, cost bases and future target operating model implications.

8. Demand for future skills and talent has and continues to change and colleges will continue to have a significant role in Scotland's economic recovery and future prosperity. Investing in our college infrastructure is a key component of the Scottish Government's central principles of tackling child poverty and supporting a fair and just transition as part of our national response to the pandemic and the climate emergency. This strategy is the start of this journey.

9. Together, Scotland's colleges represent a huge national asset in which the Scottish Government invests considerable resource. In 2021-22 academic year, SFC invested £741.1m[1] into the college sector, of which £29.3m was capital funding. Since 2007, the Scottish Government has allocated over £823m to college capital projects including new campuses and buildings. Colleges received a further £330m in Non-Profit Distributing (NPD) revenue-funded investment.

10. The Scottish Government's investment delivers substantial returns including the boost to Gross-Domestic Product (GDP)[2] through improved labour productivity, increased tax revenue, 'spill over effects' through improved business competitiveness and knowledge transfer among employees, and the multiplier effect of increased spending in the economy.

11. However, despite the significant investment in the college sector, the **SFC College Sector Estates Condition Survey 2017** (Annex B) classified approximately one-third of the college estate as needing material and significant backlog maintenance, either through major repair or replacement of core elements. The survey estimated £360m would be

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[1] College final funding allocations FY2021-22 SBR

[2] GDP (Gross Domestic Product) is the standard measure of the value added created through the production of goods and services in a country during a certain period. It is the measure used to define the size and health of a country's economy over a period of time (usually one quarter or one year).

required for backlog maintenance.

12. All colleges receive annual capital maintenance funding from SFC, including funding for backlog maintenance identified in the 2017 College Estates Survey. In 2018-19 colleges received targeted funding to address Very High Priority backlog maintenance and since then, approximately 50% of all capital maintenance funding has been allocated to the High Priority maintenance need, with the remainder allocated to lifecycle maintenance costs. This is only sufficient to address approximately 50% of the lifecycle maintenance need. No funding has been available to tackle the Medium or Low Priority backlog maintenance which has a total value of £255m at the time of the 2017 condition survey. If not addressed, over time the low and medium priority maintenance will become High Priority maintenance need.

13. Whilst each college estate faces differing set of challenges, all colleges receive less funding than is required to maintain and/or improve their estates to ensure they are fit for purpose.

14. Colleges have embraced alternative ideas of ownership and location of their facilities and are open to sharing physical and digital assets and expertise wherever feasible. Similarly, they have expressed openness to utilising other local assets and collaborating as appropriate.

15. This strategy presents a significant opportunity for colleges to play their part in tackling the climate emergency. SFC will support colleges to progress their Net Zero ambitions. Investment will be required in estates which are carbon neutral, and which can flex to cope with the climate emergency.

2: OUR STRATEGIC PRINCIPLES AND STRATEGIC FIT

16. Colleges have a significant role to play in the delivery of Scotland's National Strategy for Economic Transformation and Scotland's just transition over the next decade and beyond. They are vital to the achievement of a green recovery, the just transition and sustainable future.

17. SFC has developed this strategy in consultation with the college sector. They worked collaboratively through the Colleges Infrastructure Working Group, a short life group that included representatives from SFC, Colleges Scotland and college principals/vice-principals/directors of estate. With support from the group, SFC organised and facilitated five workshops. The workshops resulted in the agreed joint strategic approach and established key principles for infrastructure investments.

STRATEGIC PRINCIPLES

18. The jointly developed strategic principles are that future infrastructure investments should:

- Deliver positive student experience and outcomes.
- Provide equal access to suitable college infrastructure across Scotland, including use of digital.
- Enable colleges to deliver their strategic plans.
- Ensure that future capital investment responds to future needs, including digital delivery and does not only replace like for like.
- Provide flexibility of funding to support a range of types and scale of capital projects.
- Demonstrate collaboration, such as with other colleges, schools, universities, Local Authorities, health care providers and local businesses.
- Provide a clear, transparent, evidence-based decision-making process.

19. An overarching principle is being able to access digital infrastructure. Digital technology dates quickly. Consideration needs to be given as to how the digital infrastructure lifecycle is funded alongside resilience, security and other aspects of digital investment.

20. Whilst guided by these core strategic principles, SFC and colleges will also refer to the principles outlined in Scotland's Learning Estate Strategy (see paragraph 23) and the Scottish Government Place Principle.

STRATEGIC AND POLICY FIT

21. The strategy is a response to the Scottish Government's Programme for Government

2021-22 commitments that it "will work with SFC to develop an estates strategy for Scotland's colleges, establishing priorities for investment." (Page 45). It has been developed with reference to Scotland's Learning Estate Strategy (2019), Scottish Government's Infrastructure Investment Plan and other relevant strategies linked to skills and economy including the National Strategy for Economic Transformation (2022).

22. The SFC Review of Coherent Provision and Sustainability in Further and Higher Education (the SFC Review), published in 2021, recommended developing a national vision and strategy for college estates and provides the framework and ambition for this strategy.

23. The Learning Estate Strategy states that "the Scottish Government will work with the Scottish Funding Council to develop a strong evidence-based case to support further investment in the future and develop a medium-term capital investment plan that sets out sector wide priorities."

24. The SFC Review explores how Scotland could best fulfil its mission of securing coherent, excellent quality, sustainable tertiary education, and research. A key finding of the Review was the importance of place and the role of colleges and universities as anchor institutions at the heart of towns, cities, and regions to sustain and renew places and communities. The SFC Review recognises the complexity and diversity of college campus estates, the issues they face in relation to financing maintenance backlogs and the drive towards a digitally enabled, low carbon future.

25. The Scottish Government's Letter of Guidance 2022-23 to SFC states the expectation that SFC will, "publish the college sector Infrastructure Strategy which will present a proposed approach to developing a national Colleges Infrastructure Investment Plan in line with agreed principles as set out in the Strategy. The Strategy will support Scotland's transition to net zero, with production of an Investment Plan for the sector a key strategic goal."

26. Colleges are also essential for the delivery of a range of other Scottish Government strategies, policies and guidance. These include:

- **Scotland's National Strategy for Economic Transformation (2022)** sets out how, over the next ten years, Scotland can deliver economic growth that significantly outperforms the last decade, to make the Scottish economy more prosperous, productive, and internationally competitive. SFC's investments in colleges and universities will be pivotal in realising these ambitions.
- **National Performance Framework 4 (NPF4)**, in draft form at the time of writing, will set out a new long-term plan for Scotland. It is expected to cover a longer-term horizon to 2050, fuller regional coverage and improved alignment with wider programmes and strategies including on infrastructure and economic investment. The NPF4 is also expected to anticipate and plan for the changing population, to

focus more on improved health and wellbeing and a better natural environment for everyone in Scotland.

- **Infrastructure Investment Plan (2021)** outlines a coherent and strategic approach to delivering the National Infrastructure Mission. It demonstrates the vital role infrastructure has to play in helping businesses and communities to adapt and recover from the COVID-19 pandemic. The Plan introduces an "investment hierarchy" which prioritises maintaining and enhancing existing assets over new build. The proposed new hierarchy of investment will aid planning and decision making and drive future investment choices.
- **Climate Change Plan (2020)** sets a target date for net zero emissions of all greenhouse gases by 2045. To meet Scotland's targets, a rapid transformation across all sectors of the economy and society is required.
- **Public Sector Leadership in the Global Climate Emergency (PSLGCE) guidance (2021)** sets the scene for carbon reporting requirements on public bodies including colleges.
- **Our Digital Ambition for Scotland's Colleges (September 2020)** sets out aspirations for a bold and inclusive digital future.
- To understand the colleges' future digital investment needs, the requirements of diverse modes of learning, and the nature and locations of college estates need to be considered. Working with the Joint Information Systems Committee (Jisc)[3] on technology foresight and trends will be essential.
- Further detail is found at Annex C.

[3] Jisc is the UK higher, further education and skills sectors' not-for-profit organisation for digital services and solutions. It champions the importance and potential of digital technologies for UK education and research.

3: OUR APPROACH TO DELIVERING THE STRATEGY

IDENTIFYING FUTURE CAPITAL INVESTMENT NEEDS

27. To develop an Infrastructure Investment Plan, each college will need to refresh and expand information on its estate and summarise its infrastructure investment need over the next five to ten years.

28. In determining the infrastructure investment need, each college is expected take the approach set out by this strategy, and will:

    - Maximise use of existing assets to meet future need through reshaping/ reducing their footprint, and through refurbishment, re-use, and collaborations across the education sector and business.
    - Consider investment needed to change service design and delivery methods, for example using digital platforms and other technological innovations that suit the varied needs of students and staff.
    - Consider how the digital lifecycle of capital sits alongside other aspects of capital investment.
    - Minimise its environmental impact and maximise health and well-being outcomes through sustainable design and construction processes, including application of low to zero carbon energy systems.
    - Prioritise seeking collaborations as a means of delivery through partnerships with other education providers or local stakeholders including local businesses.
    - Evidence how the proposed infrastructure investment supports local actions that address child poverty and climate change as well as secure a stronger, fairer, greener economy.

29. A range of investment is required to deliver major strategic capital projects, to replace buildings and/or introduce new assets as part of a college's strategic plans. This includes installing new equipment and fixtures in response to emerging regional and national skills needs. Student welfare, leisure facilities, transportation and accommodation also require significant investment.

30. An important first step for the colleges and SFC will be to agree the minimum information required and the methodology for colleges to gather the data needed to identify their future investment needs.

31. All proposals for future capital investment will be guided by our strategic principles outlined in Part 2 of this strategy. Future capital investment proposals will also need to

consider the relevant Scottish Government strategies and policies and the Infrastructure Investment Plan set out in Part 2.

FUNDING

32. Critical to delivery is the availability of funding. A variety of funding solutions are needed for future capital investment. As noted in Part 1 of this strategy, funding is required for lifecycle maintenance of existing assets to repair, refurbish or reconfigure buildings, build new assets and update digital technology to deliver new services and meet future needs.

33. There is an urgent need to explore new and existing funding for the wide range of capital projects requiring investment. The scale, breadth and pace of investment need will require deployment of public and private funding solutions. A range of approaches to investment will be investigated/ developed and included as options within the Infrastructure Investment Plan.

34. SFC will allocate any available future funding to those projects that are affordable, provide best value, equity of access and quality of student experience. We will utilise the SCIM process (described later in this strategy, paragraphs 44 - 47) to develop the prioritisation and allocation process. SFC will also lead the work, supported by colleges, government(s) and others, to explore and consider opportunities for additional and new models of funding a wide range of infrastructure projects.

FUNDING FOR MAJOR COLLEGE PROJECTS

35. Individual college reports within the 2017 College Estate Condition Survey indicate that the best value for money solutions could be either campus replacement or major refurbishment.

36. Since no further Non-Profit Distributing (NPD[4]) Schemes were permitted post 2016 due to a European System of Accounts[5] classification, there has been no funding model (other than the Scottish Government capital funding) available for major capital projects

[4] Scottish Futures Trust led the Non-Profit Distributing (NPD) programme for Scottish Government as an alternative funding source to allow major infrastructure projects to be built. NPD was developed to replace the traditional Private Finance Initiative (PFI) model with a number of projects in the transport, health and education sectors now open from where first-class public services are being delivered.

[5] European System of Accounts: ESA 2010 is designed as an integrated system of economic accounts for the whole economy. It prescribes the statistical framework that we are legally obliged to follow in compiling the UK National Accounts.

in the college sector. The Mutual Investment Model (MIM[6]) is one approach that is currently being examined. However, MIM is only relevant for a programme of large stand-alone new build projects, and long-term revenue funding is required to cover the annual charges. SFC will work with colleges, the Scottish Government, and the Scottish Futures Trust (SFT) to identify alternative funding models.

37. Future capital investment should not replace like for like for colleges. New investment provides an opportunity for colleges to redesign their training and curriculum offers, implement new approaches to learning and teaching in an enhanced digital environment, and extend strategic links to other stakeholders in the region.

FUNDING FOR REFURBISHMENT AND ENERGY EFFICIENCY MEASURES

38. A critical area of investment needed is major refurbishment of existing college campuses and other assets. SFC and colleges have agreed this to be the preferred approach. Refurbishing existing campuses often results in the lowest carbon solution but presents colleges with technical, practical and cost challenges. For example, finding the appropriate technical expertise to deliver a refurbishment project on a heritage building can be challenging.

39. The Scottish Government has set a target of 2038 for decarbonisation of heat in public buildings with interim targets being produced by 2024. For refurbishment projects we will follow the guidance from the Scottish Government that: *"For larger public sector estates, a whole estates assessment of costs and timescales to develop a pathway to meet net zero targets is needed. This should highlight options for integrating net-zero carbon and adaptation measures at an estate and individual building level… include an assessment of the current and future heat and power demands and adopt a fabric first approach to reduce the heat demand across the estate with particular focus on the buildings with the highest heat demand and suitability for deep energy retrofitting."* (SG Public Sector Leadership – Global Climate Emergency)

40. SFC will work with colleges, the Scottish Government and the SFT to identify funding solutions for this type and scale of projects. We will continue to make best use of other funding from the Scottish Government or elsewhere, such as the Green Public Sector Decarbonisation Scheme (GPSEDs).

FUNDING FOR LIFE-CYCLE MAINTENANCE AND EQUIPMENT

41. Making the best use of existing property is a priority for SFC and colleges. SFC will

[6] The Mutual investment Model (MIM) has been designed by the Welsh Government to finance major capital projects due to a scarcity of capital funding. Scottish Futures Trust (SFT) are currently working with the public and private sectors to develop a Scottish version of MIM.

continue to give priority to the life-cycle maintenance needs and will:

- Ensure that estate users have a safe and secure environment.
- Agree a life-cycle maintenance plan with colleges including an interim maintenance plan where the intention is to replace a campus/building, which considers the digital lifecycle.
- Ensure those colleges with legal requirements to fund life-cycle maintenance (NPD/PFI[7] campuses) receive sufficient funds.
- Provide a fair distribution of life-cycle maintenance funds in line with the evidence-based need, as updated by colleges.
- Actively seek other funding opportunities to improve college estates such as linking to low carbon district heating or implementing a project under the Non-Domestic Energy Efficiency Framework.
- Support digital investment and actively promote collaboration opportunities to reduce operational costs and improve efficiency and accessibility.

THE SCOTTISH CAPITAL INVESTMENT MANUAL

42. The Scottish Capital Investment Manual (SCIM) was developed by the SFT to provide guidance on the processes and techniques to be applied in the development of infrastructure and investment programmes and projects. The Manual was initially rolled out to the NHS and a version has now been developed for local authorities; it is also relevant for other public bodies such as colleges.

43. SCIM provides clarity as to what constitutes a robust project plan and ensures emphasis is on the desired outcomes rather than merely replacing like with like. SCIM's rigorous approach and consistency to project development reflects best practice in the wider public sector and ensures that all relevant partners are involved in the development of business cases at an early stage.

[7] A Private Finance Initiative (PFI) is a long-term contract between a private party and a government entity where the private sector designs, builds, finances and operates a public asset and related services. In a PFI contract the private party bears the risks associated with construction and maintenance and management responsibility, and remuneration is linked to performance. The UK Government announced at Budget 2018 that it would no longer use PF2 (the most recent model of the Private Finance Initiative) for new government projects. Existing PFI and PF2 contracts will not end because of this announcement.

44. The first approval point outlined in the SCIM process is the Strategic Outline Case (Annex D). This should demonstrate a project's strategic fit and provide consistent and comparable evidence of projects' outcomes, including delivering against the target of net zero emissions target.

45. SFC will work with the SFT and colleges to develop SCIM, defining the business case development and evaluation process for new capital projects. The introduction of SCIM will comprehensively revise SFC's Capital Decision Point Process.

EVALUATION AND ALLOCATION OF INVESTMENT

46. Each college will produce a Strategic Outline Case (SOC) for its infrastructure investment need aligned to the principles and criteria set out earlier in this strategy. The SOCs will highlight each college's highest priority strategic projects for future investment.

47. SFC will evaluate future college infrastructure projects against the college SCIM process. The proposed SOC strategic fit and project evaluation checklist are shown below (Annex D).

DELIVERING THE STRATEGY

48. Agreeing a detailed strategy delivery plan will be the first step in delivering this strategy. We will establish a Strategy Delivery Group which will include representatives of SFC, the colleges sector, the Scottish Government and the SFT.

49. This will be a short life working group until the Infrastructure Investment Plan is developed and published in autumn 2023. The purpose of the group will be to agree a joint action plan, with deliverables, milestones and timescales, for delivering the Infrastructure Investment Plan. The Infrastructure Investment Plan will set out deliverables, milestones, roles and responsibilities and an assessment, prioritisation, and monitoring process. This will include:

- A college specific description of the investment required and an estimate of its value to deliver its strategic plan.
- Potential funding solutions for the proposed capital investments.
- A revised, transparent, evidenced-based process for assessing, prioritising, and allocating capital funding.

50. The Strategy Delivery Group will act as the 'strategy champion', providing leadership and co-ordination during the delivery of the strategy. The group will also monitor and report progress with delivering this strategy.

51. Colleges and SFC have jointly identified actions required to produce an Infrastructure

Investment Plan for Scotland’s colleges. These are summarised below.

COLLEGES-LEAD ACTIONS

52. Colleges will demonstrate and collate evidence of the condition of their estates, specifically highlighting those in poorest condition.

53. Each college will produce a Strategic Outline Case, summarising its proposed investment need aligned with the strategic principles outlined in Part 2.

54. 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-LEAD 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 wide-ranging investments required by colleges.

55. Each of these activities will require a detailed delivery plan and timeline which will be developed jointly between SFC, colleges and relevant stakeholders.

MONITORING AND REPORTING PROGRESS WITH DELIVERING THE STRATEGY

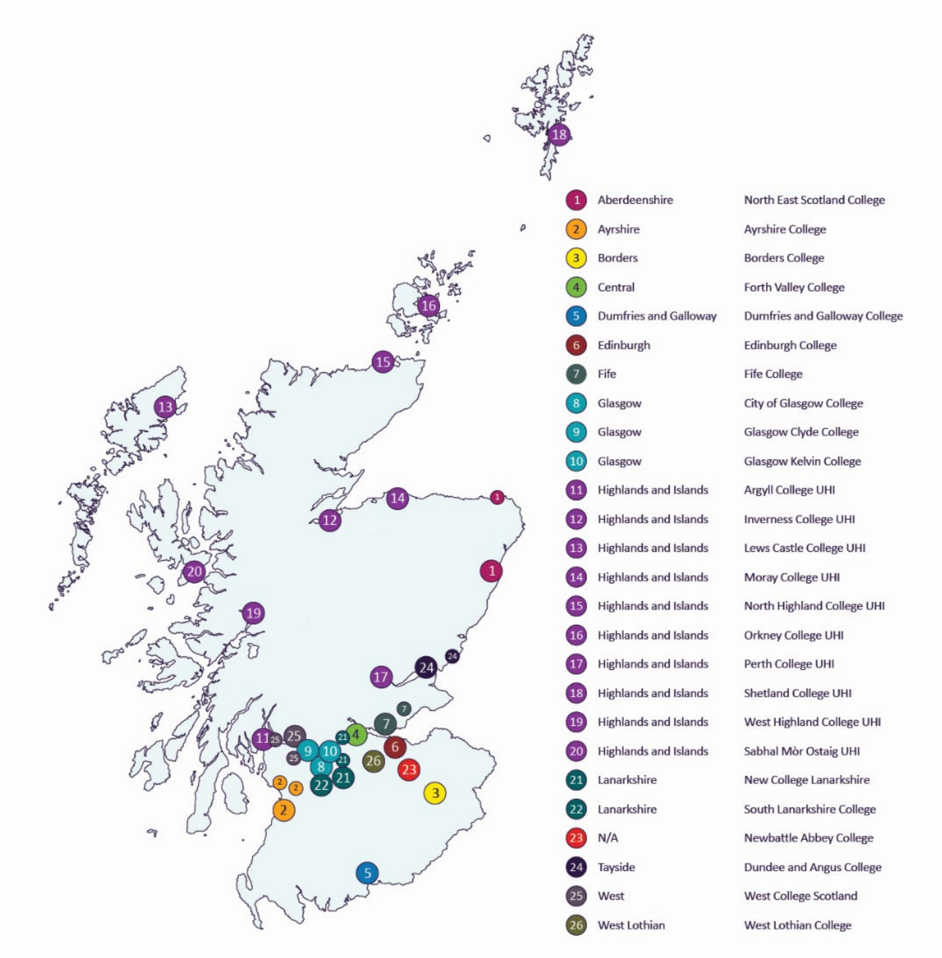
56. This strategy will result in a clear understanding of the infrastructure investment needed to ensure college estates enable the delivery of colleges’ strategic plans. SFC and colleges will develop an Infrastructure Investment Plan for Scotland’s colleges over the next five to ten years. The plan will illustrate investment needed for a sustainable future and to deliver the desired outcomes for students, staff and the communities. The college sector (including students), Scottish government and other stakeholders will be consulted and engaged in its development.

57. The strategy will investigate a range of funding solutions that can progress a wide variety of infrastructure projects. A revised, transparent, evidenced-based process for assessing, prioritising, and allocating capital funding will be developed.

58. We will also develop methodology for monitoring progress with delivering this strategy and will publish a progress report every three years.

ANNEX A: CONTEXT

There are 26 colleges in Scotland, 24 of which operate within one of 13 college regions. Twenty are classed as “incorporated colleges” i.e., they are incorporated under the Higher and Further Education (Scotland) Act 1992, and six are “non- incorporated”, not being classed as fundable public bodies under the Act.



ANNEX B: COLLEGE SECTOR ESTATES CONDITION SURVEY (2017)

Survey definitions of building condition by priority are as follows:

VERY HIGH	Works required immediately or within 1 year to repair, wholly or partially replace elements Building fabric or M&E Service which have already failed, or are at risk of imminent and unpredictable failures, with high risk of compounding damage, partial or whole closure of facilities, loss of service and/or items causing a legislative or high Health & Safety risk.
HIGH	Works required to prevent serious and compounded deterioration in the Building fabric to prevent potential partial loss or seriously diminished M&E Services provision, or as may impact on the perception thereof relative to the expected quality of the teaching/student environment. Partial replacement (up to 40%) may be required.
MEDIUM	Works required to prevent accelerated deterioration of the Building fabric or possible performance issues with M&E Services, or as anticipated to generally recover and/or sustain a well maintained and presentable state.
LOW	Works recommended or normally prudent towards the end of a 5 year window, that would be necessary to prevent deterioration of the Building fabric or M&E Services performance issues, and so as to sustain the asset in good condition and a well maintained and presentable state.

ANNEX C: STRATEGIC FIT

The strategy recognises, fits with and will support the delivery of several national strategies and policies. Colleges are advised that they should consider these when developing their own estate and infrastructure strategic plans.

- A Changing Nation: How Scotland Will Thrive in a Digital World (Scottish Government, March 2021)
- A Connected Scotland: strategy for tackling social isolation and loneliness and building stronger social connections (Dec 2018)
- A Fairer, Greener Scotland: Programme for Government 2021-22
- A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26
- Addressing climate change in Scotland - A summary of key recommendations for public bodies (Audit Scotland, March 2022)
- Advanced Procurement for Colleges and Universities: Responsible Procurement
- Climate Emergency Skills Action Plan (CESAP) 2020-2025
- Climate Change (Scotland) Act 2009
- Climate Commission and Nous Group Climate Action Roadmap for UK FE Colleges
- Climate ready Scotland: Scottish Climate Change Adaptation Plan 2019-2024
- Coherence and sustainability: a review of tertiary education and research
- College Sector Estate Condition Survey (2017)
- Investing for jobs: Capital Spending Review 2021-2022 to 2025-2026
- Investing in Scotland's Future: resource spending review framework 2022
- Just Transition - A Fairer, Greener Scotland: Scottish Government response
- Learning Estate Strategy
- Learning Together: national action plan on parental involvement, engagement, family learning and learning at home (Aug 2018)
- National Planning Framework 4 - call for ideas: Key Agencies Group response
- Net Zero Public Sector Buildings Standard
- Our Digital Ambitions for Scotland’s Colleges
- Out to Play - creating outdoor play experiences for children: practical guidance

- Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-2021
- Public sector leadership on the global climate emergency
- Scotland’s National Strategy for Economic Transformation: delivering economic prosperity
- Securing a green recovery on a path to net zero: climate change plan 2018–2032 - update
- Sustainable procurement tools
- Sustainable Procurement Duty: Sustainable Procurement Reform (Scotland) 2014 Act
- The Cumberford Little Report
- The Draft Fourth National Planning Framework (Draft NPF4)
- UK Government’s Net Zero Strategy: Build Back Greener
- Wellbeing evidence at the heart of policy

ANNEX D: STRATEGIC OUTLINE CASE – STRATEGIC FIT

Strategic Goal	KPI (these will be weighted)
Protecting and promoting students' interests and wellbeing	Number of credits impacted by the project. Proportion of estate condition / backlog to be addressed.
Digital infrastructure for effective learning	Investment plans in place that enhance and maintain the digital infrastructure to meet future needs. Sufficient resource allocated for ongoing licencing, maintenance, renewal and/or replacement lifecycle costs.
Contribute towards institutional sustainability	Projected savings in running costs post completion. Projected growth in funded activity post completion. Collaboration and refurbishment options have been considered.
Support more effective learner journeys	Measurable growth in articulated places. Growth in school/senior phase activity. Improved digital infrastructure.
Responds to demographic trends	Infrastructure investment has taken account of long-term demographic trends that will affect the requirement of the sector delivering the desired outcomes for students, staff and the communities.
Strengthen employer engagement	Projected growth in commercial / non-SFC income. Delivery of essential skills for region (as per the Regional Skills Investment Plan). Demonstrable engagement with local employers / Skills Development Scotland.
Action on Climate Change	Contribute to delivery of a college's 'pathway to net zero'. Other climate impact reduction standards, measures and assessment procedures in place.

	Reflect the Public Sector Leadership on the Global Climate Emergency requirements of the Scottish Government.
Fit with Scottish Government Infrastructure Investment Plan	Reviewed against and fit with the Scottish Government Investment Hierarchy.

STRATEGIC OUTLINE CASE – EVALUATION CHECKLIST

Has a Strategic Outline Case been fully developed?	Yes ☐ No ☐
Have opportunities for collaborations been explored with other further and higher education institutions and/or with other bodies/organisations?	Yes ☐ No ☐
Have digital infrastructure and its lifecycle costs been explored?	Yes ☐ No ☐
Have opportunities for co-location and/or estate sharing, including digital, been included in future infrastructure plans?	Yes ☐ No ☐
Does the college have a regional estate strategy, approved by the Board and is less than 3 years old?	Yes ☐ No ☐
Does the estates strategy clearly align with the college regional curriculum plan?	Yes ☐ No ☐
Does the estates strategy prioritise repair, re-use, repurpose, co-location or shared facilities?	Yes ☐ No ☐
Does the proposed project form part of the college's wider regional estates strategy?	Yes ☐ No ☐
Has the project been highlighted in the most recent outcome agreement and discussed with SFC?	Yes ☐ No ☐
Does the project contribute to specific goals set out in the regional skills investment plan and regional economic development strategy?	Yes ☐ No ☐
Does the project include delivering BREEAM® Excellent or Outstanding and/or the Net Zero Public Buildings Standard?	Yes ☐ No ☐

SCIM: STRATEGIC OUTLINE CASE (SOC)

The Scottish Capital Investment Manual (SCIM) provides guidance for capital projects inception to Post Occupancy Evaluation and review. It also provides guidance on governance and project management arrangements. The Manual is relevant to all projects, regardless of scale.

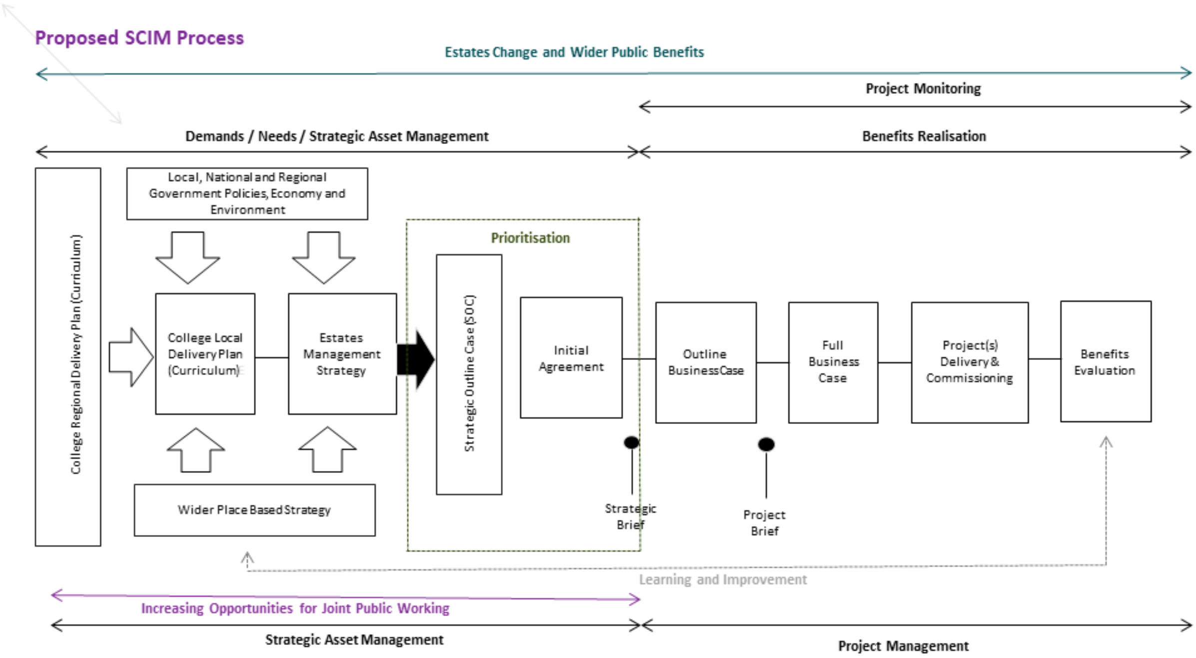
We propose a version of SCIM be developed for colleges. This is to ensure cases for capital projects fit with the appropriate regional and national economic context as well as provide an evidence base for college capital projects when being considered.

SCIM provides:

- Clear and well understood context for infrastructure investment decisions.
- Acceptance of the principle that property is an enabler for the delivery of services and outcomes.

SCIM has three approval/hold points where business cases are produced: Strategic Business Case; Outline Business Case; and Full Business Case.

The Strategic Outline Case (SOC), driven by well-defined service needs, is the first stage to translate these needs into potential infrastructure solutions. An output from the SOC is a Strategic Brief.



Teachers' Pension Scheme 2023/08

Who should read:

- Chief Executives
- Directors of Education
- Directors of Finance
- HR Managers
- Payroll Managers
- Pension Administration Staff
- Teachers' Unions and Representatives

Action:	For information
Subject:	Change to Employer Contribution Rate from 1 April 2024
Date:	14 November 2023

The purpose of this circular is to advise employers and interested parties about the employer contribution rate to be applied from 1 April 2024.

Key information in this circular:

1. **To confirm employer contributions will rise to 26% from 1 April 2024 subject to the necessary regulations being approved by Parliament.**

2. **The current employer rate of 23% will continue to apply until 31 March 2024.**

Background

Public service pension schemes, including the Scottish Teachers' Pension Scheme, are subject to regular valuations to set employer contributions and measure any movement in the employer cost cap. Both the latest valuation and employer cost cap have been subject to discussion with the Scheme Advisory Board (SAB). The SAB is made up of representatives of employers and members and provides advice to the Scottish Ministers on the desirability of changes to the design of the scheme and the implication of other policy issues.

The valuation confirmed that an increase in the employer contribution rate is required from its current rate of 23% to 26% is required from 1 April 2024.

The principal reason for employer contributions increasing is the UK Government's decision to reduce the SCAPE discount rate used in the valuation process. A scheme valuation assesses what each scheme needs now in order to meet future liabilities.

The higher the discount rate, the quicker the notional assets grow, so the less is needed now. The lower the rate, the higher the level of funding needed now to meet those future liabilities and that feeds through to employer costs. Hence, a reduction in the discount rate feeds through to higher employer contributions.

In the Chief Secretary to the Treasury's statement announcing the change in the discount rate, the UK Government committed to provide funding for increases in employer contribution rates resulting from the 2020 valuations as a consequence of changes to the SCAPE discount rate. For the Scottish Teachers' Pension Scheme valuation the full 3% increase is a consequence of these SCAPE discount rate changes.

The funding commitment is for employers whose employment costs are centrally funded through departmental expenditure. HMT has confirmed that, for devolved administrations, the Barnett formula will apply. The Scottish Ministers will make decisions on funding allocations once Barnett consequential amounts are confirmed.

The employer cost cap was not breached, so there is no requirement for adjustments to be made to scheme benefits.

A copy of the final 2020 Scheme Valuation Results Report for Scottish Teachers' Pension Scheme can be found on our website.

Any questions?

Please contact SPPAPolicy@gov.scot if have any enquiries about this circular.

SPPA Policy Team
14 November 2023

Actuarial Valuation as at 31st March 2023

Fund Results

Strathclyde Pension Fund's actuaries, Hymans Robertson, are currently completing the actuarial valuation of the Fund as at 31st March 2023 as required by the Local Government Pension Scheme regulations.

For the Fund as a whole, the valuation shows a total funding level of **147%** (assets as a % of liabilities). This is a very significant improvement on the 2020 level of **106%**.

Employer Results

As part of the valuation process the actuary calculates individual valuation results for each employer in the Fund. These results determine the individual employer contributions to be paid from 1st April 2024. The contribution rates reflect each employer's own circumstances including their membership profile (older/younger), status (open/closed to new members), covenant strength (stronger/weaker) and funding level. The actuary's recommended rates are shown in each employer's results schedule.

The recommended contribution rates are generally set to provide a 80% or greater likelihood that both past and future service benefits will be fully funded over the employer's time horizon (an actuarial figure which represents the weighted average remaining working lifetime of the employer's active members.)

Please arrange to implement the recommended employer contribution rates from 1st April 2024 as set out in your schedule.

Further Information

Further information on the funding process is set out in our draft Funding Strategy Statement and covering report to the Strathclyde Pension Fund Committee. These are both available in the News area of our website.

Comments or questions on the funding strategy are invited by 31st December 2023.

The final actuarial report will be published on our website in March 2024.

SPFO Contact

Please do contact us if you have any questions, need any further information, or want to discuss your recommended contribution rate or any other aspect of these results.

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Strathclyde Pension Fund

Actuarial Valuation as at 31st March 2023

<u>Employer FAQs</u>

Q. What do I need to do now?

A. If you have no questions about the results, just arrange to pay the revised contribution rate from 1st April 2024. If you have any questions, please get in touch.

Q. Why is my employer contribution rate not the same for each of the next 3 years?

A. Our contributions strategy at the 2023 actuarial valuation is to use some of the surplus to reduce rates for the first 2 years, but to revert to the expected long-term contribution rate in year 3.

Q. Can I pay the same amount each year?

A. Yes. If you would prefer more even annual payments you can arrange that with us – effectively pre-paying some of the contributions scheduled for year 3.

Q. Can I pay more than the recommended rate?

A. Yes. The recommended rate is the required minimum, but you can pay more by arrangement. But note that the Fund already has a significant surplus.

Q. Will member contribution rates change next year?

A. The actuarial valuation has no effect on scheme members, their benefits or their contributions, which are fixed by the regulations, not by the Fund. As usual, employees' tiered contribution rates will be updated for inflation. New rates will be published by SPPA early in 2024.

Q. Can I exit the Fund?

A. Most employers are in surplus on a cessation basis. This means that they would receive an exit credit payment from SPF if they chose to exit. This is a big change from previous valuations where employers were required to make an exit payment to SPF in order to leave. Exiting is still a big decision and may require you to take legal advice and find another pension arrangement. But please get in touch if you want to discuss an exit arrangement.

Strathclyde Pension Fund 2023 Actuarial Valuation

058 South Lanarkshire College - Notification of final employer results

Introduction

This schedule contains a summary of the results of the 2023 actuarial valuation of the Strathclyde Pension Fund ("the Fund"), specifically those relating to the Employer or Pool/Group named above. Its main purpose is to notify you (the Employer) of the contribution rates payable from 1 April 2024 to 31 March 2027 as well as your funding position on the valuation date. It also contains detailed technical information explaining the results and how they have changed since the previous valuation. This information may be of use to any professional advisors examining your valuation results. Please see the final section of this schedule for further information, and read these results in conjunction with the Funding Strategy Statement (FSS) which you will receive from the Fund for consultation purposes.

Contribution rates

	Primary	Secondary		Total	
Employer contribution rates for year ending	**% of pay**	**% of pay**	**£**	**% of pay**	**£**
31 March 2024				19.3%	0
31 March 2025	22.3%	-12.9%		9.4%	
31 March 2026	22.3%	-12.9%		9.4%	
31 March 2027	22.3%	-4.8%		17.5%	

The above contribution rates are the minimum rate required by the Fund. In most circumstances you can pay additional contributions to further improve your funding position but this should be referred to the Fund first. The Primary Rate includes an allowance of 0.2% of pay for administration expenses. Employer contribution rates are due in addition to employee contributions. The average employee contribution rate is 5.8% of pay.

The contribution rates payable from 1 April 2024 have been determined based on the following funding strategy and employer circumstances:

Funding strategy	Last valuation / Opening position	This valuation
Funding target (see FSS for details)	Ongoing	Ongoing
Funding time horizon (years)	13	13
Likelihood of achieving funding target by end of horizon	64%	88%
Investment strategy	Core Strategy (Main Employer Group)	Core Strategy (Main Employer Group)
Open / Closed to new entrants	Open	Open

The contribution strategy is based on the Employer achieving its funding target at the end of the given time horizon with a given likelihood. This funding strategy has been determined by the Administering Authority, taking into account the type of organisation the Employer is and the nature of its participation in the Fund. The approach to setting employer contribution rates, and the Employer's funding target, is explained further in the draft FSS. Further details on the Employer's investment strategy is included in the Fund's Statement of Investment Principles.

Funding position

Your funding position as at 31 March 2023 is shown below, along with a summary of the assumptions and data underlying it.

Employer funding position (£000)	Last valuation / Opening position	This valuation (Ongoing)
Past service liabilities - Employees	7,726	7,235
Past service liabilities - Deferred pensioners	1,830	1,522
Past service liabilities - Pensioners	3,420	4,310
Past service liabilities - Total	**12,976**	**13,067**
Asset share	**12,832**	**18,359**
Surplus/(deficit)	**(143)**	**5,291**
Funding level	**99%**	**140%**

If you cease to participate in the Fund then your liabilities will be recalculated on a more prudent basis to reflect the fact that you won't be around in future to make any additional contributions which may be required. Using more prudent assumptions leads to a larger value being placed on the liabilities (see the FSS for details of these assumptions). The table below shows the estimated funding position if you had ceased to participate in the Fund on the valuation date.

Cessation funding position (£000)	This valuation
Liabilities	17,440
Asset Share	18,359
Surplus/(deficit)	919
Funding level	105%

Assumptions

The financial and longevity assumptions underlying the funding positions disclosed are detailed below. Details of the demographic assumptions are available in the FSS.

Financial assumptions p.a.	Last valuation / Opening position	This valuation
Investment return (Ongoing)	3.0%	5.0%
Investment return (Cessation)		3.5%
Salary increases	2.6%	3.4%
Benefit increases/revaluation	1.9%	2.7%

Longevity assumptions	Last valuation / Opening position	This valuation
Baseline longevity	2019 VitaCurves	2022 VitaCurves
Future improvements (Ongoing basis)	CMI 2019: A=0.5%, LTR=1.5%,Sk=7	CMI 2022: A=0.25%, 2022 W=25%, 2021 (and 2020) W=0%, LTR=1.5%, Sk=7
Future improvements (Cessation basis)		CMI 2022: A=0.25%, 2022 W=25%, 2021 (and 2020) W=0%, LTR=1.75%, Sk=7

Based on the above longevity assumptions, and taking into account characteristics of the individual membership of the Employer, the average life expectancies are summarised below.

Life expectancy from age 65 31 March 2023	Ongoing	Cessation
Current pensioners - male	18.7	18.9
Current pensioners - female	22.4	22.6
Future pensioners - male	19.7	20.1
Future pensioners - female	24.3	24.8

Figures for future pensioners are a weighted average of active and deferred members.

Membership Data

All the results in this schedule are based on the membership data summarised below which was supplied to us by the Fund for the purpose of the valuation.

Member	Membership data	Last valuation/Opening position	This valuation
Employee members	Number	159	133
	Total actual pay (£000)	3,006	2,984
	Total accrued pension (£000)	427	545
	Average age weighted by liability	51	54
Deferred pensioners	Number	98	139
	Total accrued pension (£000)	106	142
	Average age weighted by liability	49	50
Pensioners	Number	56	68
	Total accrued pension (£000)	208	297
	Average age weighted by liability	68	67

Change in funding position compared to last valuation/opening position

The following tables help to explain the changes in your assets and liabilities over the period since the last valuation (or the date you joined the Fund, if this is later). This information may be of use to any professional advisors with an interest in your valuation results.

Many of the items in these tables are calculated approximately and make some simplifying assumptions. Due to rounding the columns may not appear to add up exactly.

Expected changes

(£000)	Source of change	Assets	Liabilities	Surplus/(deficit)
Last valuation / Opening position		12,832	12,976	(143)
Cashflows	**Employer contributions paid in**	1,719		1,719
	Employee contributions paid in	521		521
	Benefits paid out	(843)	(843)	0
	Net bulk and individual transfers[1]	(159)		(159)
	Other cashflows (e.g. expenses)	(17)		(17)
Expected changes	**Expected return on assets**	1,188		1,188
	Interest cost on benefits already accrued		1,294	(1,294)
	Accrual of new benefits		2,897	(2,897)
Expected position at this valuation		15,241	16,324	(1,083)

1. *The impact of individual member transfers (in/out) on the liabilities is included in the Other membership experience item.*

Membership experience and changes in markets and assumptions

(£000)	Source of change	Assets	Liabilities	Surplus/(deficit)
Expected position at this valuation		15,241	16,324	(1,083)
Membership experience vs expectations	**Salary increases**		39	(39)
	Benefit increases		941	(941)
	Ill health retirement strain[2]		(17)	17
	Early leavers		(8)	8
	Pensioner deaths		90	(90)
	Impact of bulk transfers		0	0
	Other membership experience		(574)	574
Changes in market conditions	**Investment outperformance**	3,118		3,118
	Change in future inflation expectations		3,005	(3,005)
Changes in actuarial assumptions	**Change in demographic assumptions (excl. longevity)**		(282)	282
	Change in longevity assumptions		(396)	396
	Change in salary increase assumption		(2)	2
	Change in discount rate		(6,053)	6,053
Actual position at this valuation		18,359	13,067	5,291

2 . *Payments in respect of ill health retirements are recorded under Employer contributions or Other cashflows above.*

Important information: addressee, purpose and professional notes

Hymans Robertson have prepared valuation results for all employers participating in the Strathclyde Pension Fund and provided those to the Administering Authority. This Notification of final employer results schedule has been created on behalf of the Administering Authority of the Fund to be shared with the Employer named above. Its purpose is to notify the Employer of the principal results from the 2023 actuarial valuation, and allow the Employer to check that the membership and participation details reflect their circumstances.

The Funding Strategy Statement (FSS) will contain further information on the assumptions and methodology used to calculate employer contribution rates and funding position set out in this report.

Please note that this schedule does not constitute advice to the Employer or any other third parties and Hymans Robertson LLP accept no liability to the Employer or any other third parties. If the Employer is a member of a funding pool or group within the Fund, the contribution rates, funding level and membership data shown in this report relate to the pool/group as opposed to the individual employer (unless stated otherwise).

The contribution rates shown in this schedule are final and will appear in the Rates and Adjustments Certificate, due to be published by 31 March 2024.

The figures shown in this document have been rounded and therefore the sum of figures within a table may not appear to add up exactly.

If you have any questions on the FSS or the results in this schedule please contact the Fund in the first instance.

Technical Actuarial Standard (TAS) 100 has been complied with to a proportionate degree in the preparation of this report.

Prepared by

Craig Alexander FFA

Catherine McFadyen FFA

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