



South  
Lanarkshire  
College

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East Kilbride

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**Report and Financial Statements**  
**for the year ended 31<sup>st</sup> July 2019**

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



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## **Welcome**

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

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

As Chair I continue to be very impressed with the work of the College in providing our students with an excellent educational experience and positive outcomes. I am immensely proud that the College was the first college in the UK to be awarded Investors in People at Platinum Standard and is now the first college to be successfully re-evaluated at Platinum Standard. This reflects the quality of our outstanding staff and leadership who have the key responsibility of educating and training our students which continues to make the College one of the highest performers in the sector.

Sound governance is a key priority for the Board of Management and the 41 expressions of interest the Board received during the year speaks volumes about the College itself and the quality of the Board's performance. From these expressions of interest, I am delighted to welcome 4 new Board Members, including the new Chair of the Audit Committee, Lesley Glen, who takes over from Robert Ralston upon his retirement as well as Patricia Donnelly, Paul Hughes and Yvonne Johnston.

Against a backdrop of challenging external financial circumstances, I am also pleased that the College remains in sound financial health and we have a clear expectation that this will continue into the future.

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

I would like to express the Board of Management's appreciation to all of our staff in the College and to our many partners, all of whom have contributed to our continuing success as we strive towards our objective of being Scotland's leading provider of education and training.

**Andrew Kerr** BA (Hons) MBA  
**Chair of the Board of Management**

**26 November 2019**

### **Statement from the Principal**

I am very proud that the College has continued to grow both its credit activity and headcount during the year and that it remains in a sound financial position. We are aware that the current external financial environment is both challenging and uncertain and we have undertaken a range of scenario planning for Brexit, and have also had a member of staff seconded to the Scottish Government for this purpose. Through robust financial management we are delighted that we continue to return a balanced budget in spite of these challenges.

During the year we have invested £1.37m in our campus and we are very grateful to the Scottish Funding Council for the provision of this funding for dilapidations. The works completed will provide efficiencies in the future running of the College and support our drive for sustainability.

After lengthy consultation with a wide range of stakeholders I am delighted that we have published our 2020 – 2025 Strategic Framework and I know that the partnerships forged between the Board of Management, staff and students will enable the College to achieve its vision of being "Scotland's Leading College: delivering excellence".

**Stewart McKillop** MA (Hons), Dip Acc, Dip Ed  
**Principal**  
**26 November 2019**

## **Performance Report**

### **Overview and Operating Context**

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

The Scottish college sector faces many uncertainties, operating, as it does, in a time of overall financial restraint in the public sector with the challenge of delivering annual efficiency savings of 3% and an acknowledged degree of uncertainty over future funding streams. South Lanarkshire College has been successful in increasing its core activity allocation in line with growing demand, as per the table on page 7, and has been advised by SFC to assume EU-funded activity and associated income will continue through 2019/20 and into 2021/22.

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

The ONS reclassification of Scottish further education colleges and the resultant changes to operating, reporting and accounting brings its own challenges, requiring flexibility and adaptability. The College has implemented fully the new national agreement for pay and conditions of service for lecturing staff. The local branch of the EIS Union and Senior Managers meet regularly and, through effective dialogue, agree approaches that address fully the requirements of the National Agreement.

South Lanarkshire College continues to develop its relationship with its Lanarkshire Regional partner, delivers outcomes for students that contribute positively to the regional average, operates at a lower cost per credit than its partner college and supports the development of collaborative approaches where there is potential for mutual benefit. It has also contributed to the relevant sections of the Lanarkshire Business Recovery Plan.

The management of risk is becoming a more and more important factor. South Lanarkshire College has a well-established Risk Register which is reviewed regularly, both internally and by the Board of Management. A review of the effectiveness of the Regional Strategic Body for Lanarkshire is currently being undertaken.

### **Performance analysis**

#### ***Strategic Planning Overview***

The College published its new Strategic Framework entitled “*Delivering Excellence*” in August 2019, one month ahead of schedule. The development of this Framework began in June 2018 with a Board of Management planning day, followed by student, staff and other stakeholder consultation through November 2018 and into Spring 2019. The Strategic Framework sets out clearly the College’s Vision, Mission, Values and Culture and will provide a reference point for the development and delivery of future operational plans, policies, strategies and other corporate documents. It will shape how the College delivers future education and training to develop the economy, and support Scottish Government policy delivery through the Scottish Funding Council Regional Outcome Agreement process.

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

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

## **Performance Report**

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

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

- Record levels of student achievement
- A series of awards for innovation and environmental sustainability
- Meeting key targets for carbon management
- Re-accreditation at Platinum for the Investors in People Award
- Sound financial controls and continuing financial stability
- The award of Investors and Leaders in Diversity at Level 3
- Multiple student awards in national competitions
- Excellent Education Scotland report

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

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

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

We are:

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

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

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

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

The College meets and slightly exceeds its activity level target each year and has done so over a period of several years of consistent growth, demonstrating the potential unmet demand that exists in the immediate catchment area and beyond.

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

## **Performance Report**

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

#### ***Regional Development***

South Lanarkshire College is recognised as a high-performing college by its students, the Scottish Funding Council, Education Scotland and Investors in People. It contributes positively and significantly to the Outcomes for the Lanarkshire Region as a whole, performing above Regional targets and averages for student attainment and outcomes and delivering activity levels above the original allocation, to enable the combined outturn from the two colleges to meet the SFC target.

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

#### ***Key Issues and Risks***

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

- Loss of potential income in the short and long term;
- Financial stability;
- Certainty of core funding from SFC beyond 2020;
- UK exit from the EU;
- Impact of continuing annual 3% per efficiency savings;
- Impact of National Collective Bargaining on payroll costs;
- Lanarkshire Region allocation of core activity and/or rate per credit;
- Financial processes and controls;
- Health and safety issues;
- Requirement for funding capital projects and ongoing maintenance;
- Governance;
- Regional arrangements;
- Quality of learning and teaching;
- Cybercrime.

South Lanarkshire College has a Risk Management Group comprising several senior members of management. The Group has a programme of review which covers all pertinent areas of College activity, including exposure re major income sources, employment legislation, IT support, disaster recovery and business continuity. It has utilised the expertise of external advisors such as its insurers and, increasingly, professional experts in the areas of business continuity planning and cyber resilience.

The Risk Register is presented to four meetings of the College's Audit Committee and to the Board of Management. It is also presented to meetings of the Regional Strategic Board and its Audit Committee.

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

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

The College's Audit Committee agreed that a review of the College's risk arrangements should be undertaken as part of the 2019/20 internal audit cycle.

## Performance Report

### Performance Analysis (continued)

The College benefits from receipt of European Social Funding. Until 2017/18 this funding came through the Youth Employment Initiative (YEI). In 2018/19 the funding came through the Developing Scotland's Workforce programme, ring fenced for programmes at Higher National level. For South Lanarkshire College this amounts to 5,808 credits which represents 11.7% of the College's activity. The College secured £1.531m of funding under this programme and delivered the full activity level. It should be noted that this activity is not accompanied by an allocation for student support.

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

### Funded Activity Targets

For session 2015/16, SFC replaced the Weighted SUM with Credits as a method of allocating and measuring student activity. A summary of activity targets measured in weighted SUMs over the four academic years from 2011/12 to 2014/15 is as follows:

Weighted SUMs	Original Grant in Aid allocation	In-year additional allocation	ESF / SFC project allocation	Lanarkshire Region activity	"Efficiency" unfunded activity	Total Activity Target	Audited Activity*
2011/12	37,573	0	1,826	0	0	39,399	39,476
2012/13	34,391	0	2,686	4,000	1,205	42,282	42,329
2013/14	50,707	0	2,000	0	0	52,707	52,924
2014/15	51,087	0	2,118	2,000	0	55,205	55,432

From 2015/16 onwards, the allocation in Credits is as follows:

Credits	Original Grant in Aid allocation	In-year additional allocation	ESF / SFC project allocation	Total Activity Target	Audited Activity*
2015/16	38,478	2,500	5,906	46,884	46,885
2016/17	40,978	0	5,906	46,884	47,355
2017/18	42,088	627	5,906	48,621	49,037
2018/19	42,947	900	5,906	49,753	50,313
2019/20	43,816	n/a	5,808	49,624	n/a

Over a period of continued growth and curriculum change and development, the college has always met its credit target and delivered high attainment rates for students.

\*Audited activity as certified by our Internal Auditors.

## **Performance Report**

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

#### ***Estates***

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

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

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

#### ***Measuring Performance***

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

- ***Operating a Break-even Budget***

The College once again delivered on its break-even budget in 2018/19. With all of the changes in statutory financial reporting and the various returns which the College is required to make to SFC, management place great emphasis on College cash flow forecasts to ensure that the College has sufficient funds.

- ***Maintaining High Attainment Rates for Students***

The College's attainment rates have risen significantly from an already high base last year. Overall attainment has increased by 3 percentage points from 77% to 80%. Further Education full time students make up around 50% of the college's activity. Their overall attainment rate was 71.7%, an increase of 2.3 percentage points on the previous year. Higher Education full-time students make up around 30% of the college's activity and had an overall attainment rate of 75.8%, an increase of 1.3 percentage points on the previous year. Part-time students on Further Education programmes had an overall attainment rate of 84.8%, an increase of 2.5 percentage points and part-time students on Higher Education programmes had an overall attainment rate of 84%, an increase of 6 percentage points. These attainment rates are a significant increase over the previous year, well above previous sector norms and are expected to be amongst the best in Scotland.

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

The most recent publication on College leaver destinations from SFC was published on 15 October 2019 for leavers in 2017/18. Table S2.3 of the publication analyses all returns and confirms that 93.8% of South Lanarkshire College's students have positive destinations. Table S2.4 of the publication shows that our proportion of leavers going directly into work at the end of their course of 22.3% is above the Scottish average of 20.9%.

[http://www.sfc.ac.uk/web/FILES/statisticalpublications\\_sfcst082019/College\\_Leaver\\_Destinations\\_2017-18.pdf](http://www.sfc.ac.uk/web/FILES/statisticalpublications_sfcst082019/College_Leaver_Destinations_2017-18.pdf)



## Performance Report

### Performance Analysis (continued)

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

In the most recent survey of student experience, South Lanarkshire College's overall percentage student satisfaction rate fell from 98% in 2017-18 to 86% in 2018-19. The College is not satisfied with this outcome and is taking action along with its student body to understand the reasons for this and ensure this is a unique, single-year occurrence.

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

Data published by the Scottish Funding Council shows that the average SFC funded in-year price per credit for South Lanarkshire College in 2018-19 was £254.64 (<http://www.sfc.ac.uk/funding/outcome-agreements/outcome-agreements-2018-19/lanarkshire-0a2018-19.aspx>). It also shows the average funding for credit delivery across the Lanarkshire Region by the SFC was £263.49. South Lanarkshire College was therefore funded at a rate of £8.85 per credit lower than the Regional average. If the College had been funded at the regional average, it would have equated to a further £445,300 of SFC funding. The two colleges in Lanarkshire have developed a collaborative plan which makes a commitment to parity of funding per credit, within two years, across all elements of funding not ring fenced by the SFC. The College therefore contributes significantly towards Regional finances and towards operating efficiency in a Regional context. Furthermore, the outcomes delivered for students are all well above the Scottish norm. These include high student attainment rates, high percentages going into positive destinations and jobs and very high success rates for learners from the most disadvantaged backgrounds. In addition, the College has always exceeded its credit target. The high levels of outputs, combined with the low price per credit, means that the College delivers excellent value for money as a public body.

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

The Scottish Government aims to reduce carbon emissions by setting annual targets. In 2007/08 the College set itself a target to reduce its carbon footprint by 15% over a 10 year period. It exceeded that by a large margin. The College now has an active strategy to promote sustainable behaviours in order to contribute positively to the Scottish Government's 2020 and 2050 targets on carbon reduction. The College's new low-energy, low-carbon building is performing better than initial modelling suggested and in the two full years of operation has had no negative impact on the overall carbon emissions from our campus.

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

The College has been involved in voluntary carbon reporting since 2007 through the EAUC. In 2015, the College participated fully in the non-mandatory framework of reporting for the Scottish Government that preceded the 2016-onwards mandatory reporting requirements. It received very positive feedback from Sustainable Scotland Network regarding the report submitted. The College's Sustainability Group has on their remit the requirements to draw together the mandatory report for the Scottish Government. The College met the requirement in 2016 and 2017 to produce a mandatory carbon report and the process is already underway to produce the next report (2017/18). The College confirms full compliance with the Scottish Sustainability reporting requirements outlined in the Climate Change (Scotland) Act 2009 and presents its carbon report annually to the Scottish Government. The report is required by 30 November each year. In the baseline year of 2008/09 the College's carbon footprint was 1,973t eCO<sub>2</sub>. For the year 2018/19 the College's carbon footprint was 896.84t eCO<sub>2</sub>. This represents a 54.5% reduction on the baseline over a period when the College has also grown by 40%.

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

- **Social Matters**

In 2017/18, the College was the first in Scotland to introduce an initiative to provide free sanitary products for all users of the campus. This was commended by the EIS in a motion at their national conference and noted on various BBC and SKY news channels. In 2018-19 this project was extended, with support from SFC.

## **Performance Report**

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

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

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

The College has a strong ethos on promoting equality and diversity as outlined in its Strategic Framework and was the first in Scotland to achieve Investors in Diversity as well as "Leader in Diversity" accreditation. The College was identified by the National Centre for Diversity as being fifth top in the UK for its approaches to promoting equality and diversity. Our Equality Officer was awarded UK Employee of the year in January 2018. During 2018, the College prepared for, and was accredited as, a Carer Positive employer and has continued to promote this through policies, procedures and with the support of the new Carers Support Group.

There is a strong focus on providing support for the most disadvantaged learners, with evidence of the effectiveness displayed through the high attainment rates achieved by these learner groups.

An extension to the social space provided in the College atrium has enabled learners to have a larger high-quality area to meet outwith timetabled time and the forest mural on the library wall has been well received by students in relation to it improving the quality of the study space.

The College works with its refectory providers to actively promote healthy eating; there is also an arrangement in place for unsold food to be sold at a much-discounted price rather than being disposed of.

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

The College has an established wellbeing strategy with several initiatives designed to enhance the physical and mental health of staff. These include a walking and running club, circuit training and access to turbo trainers; a slimming club; mindfulness classes for staff and students; self-referral to confidential employee counselling; discounted rates for spectacles required for VDU work; gym membership and a visiting chiropody service; plus aerobic / dance classes and a staff choir. The College has staff discount arrangements with several local businesses.

The College also enters a team in the annual Glasgow 10K run, with a donation going to that year's designated charity.

## Performance Report

### Financial Performance

#### Financial Objectives

With the overriding aim of maintaining long term financial stability, the College Board approved the following key financial objectives in May 2017:

- To achieve long-term financial sustainability and match resources with College strategic objectives, on an ongoing basis;
- To manage short term working capital in accordance with SFC ONS requirements;
- To develop productive capacity to meet current and future learning and resource objectives through the economic, efficient and effective deployment of resources;
- To plan and control the financing of College developments and ensure finance is available to fund capital expenditure per the College's strategic plans;
- To provide a consistent basis for evaluating strategic alternatives and developing effective financial planning and risk management;
- To integrate and harmonise financial and other College strategies;
- To work with our Regional partner to identify, and take advantage of, opportunities to minimise costs, particularly through collaborative procurement;

The College's Financial Planning Strategy, including the key financial objectives as listed above, will be reviewed and refreshed by the Board of Management during the 2019/20 financial year.

#### Financial Performance for the Year

The following sections provide a summary of our financial performance in the year from the financial statements which are published on pages 31 to 52.

The Statement of Comprehensive Income and Expenditure ("SOCIE") for the year ended 31 July 2019 shows a surplus for the year of £219k (2018 £328k) before the actuarial adjustment in respect of pension scheme losses of £1,332k (2018 gains £1.877m) produced a total comprehensive loss for the year of £1.1m (2018 total income of £4m after also accounting for a £1.795m surplus on revaluation of land and buildings). We have no control over the pension scheme actuarial movement nor the surplus on revaluation of land and buildings.

It should be noted that the core surplus for the prior year was swollen by £292k in respect of the release of the balance of a Lennartz advance from HM Revenue and Customs. As £292k of the original advance does not now require to be repaid to HMRC, this amount was released to the Statement of Comprehensive Income in the prior year and was shown as an exceptional item (see note 14).

Grants received from SFC have increased from the previous year reflecting both an increase in student activity credits of 2.6% and an increase in the overall average price per credit of 9.3%.

Tuition fees are up by 9% on the prior year augmented by £308k of income from the Energy Academy project (reflected in other contracts). This is despite ongoing difficulties in attracting public sector funding for other contracts in the current austere financial environment.

Payroll costs have continued to increase, with the College no longer being in control of wage bargaining with this now in the hands of a National Joint Negotiating Committee. With the increase in teaching activity, our average number of employees (expressed as full time equivalents) has increased by 10 to 268. Payroll costs (before the FRS102 pensions adjustment) have increased by £830k (7.6%) with the negotiated pay settlement plus employer's pension contributions and the apprentice levy all forcing costs upwards.

## Performance Report

### Financial Performance (continued)

Other operating expenses have increased significantly from the previous year due to the completion of substantial dilapidations works on campus which have been funded by grants from Government sources. Consumer price inflation (CPI) was 2.1% for the year to July 2019.

During the year, the College added £15k to student support funds from its own resources. These funds were required in order to ease student hardship and best support our students.

The main additions to fixed assets were in respect of the building improvements to accommodate the growing number of students and staff and to ensure the efficient future running of the College, together with the purchase of additional computer equipment. There were no fixed asset disposals in the year.

Debtors have increased from last year at £1,245k with £383k of the total being ESF Youth Employment Initiative monies which are due for disbursement by SFC in October 2019. The £292k increase to prepayments and accrued income is in relation to amounts to be received in respect of National Collective Bargaining and £144k received in August in respect of 900 additional funded credits delivered during the year.

Our cash position at 31 July 2019 was higher than usual at £1,521k due to the timing of payments for the dilapidations work which was carried out during July 2019. We were required to drawdown the funding in July 2019 in order to make the final payments in August 2019. The cash held also enabled us to fund the operation of the College for the first two weeks in August 2019 until the first drawdown of SFC cash for the academic year 2019/20 was received on 19 August 2019. Following the ONS reclassification of incorporated colleges as public bodies, we are no longer permitted to hold large cash balances. Whilst we have an overdraft facility with RBS, we did not require to use this in the year.

Creditors falling due within one year are higher than last year at £2,652k, largely due to an increase in accruals of £522k relating to both dilapidations works and National Collective Bargaining.

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers at the end of the month following invoice or supply, or as otherwise agreed with the supplier concerned. All disputes and complaints are handled as quickly as possible. Creditor payment days were 15 days as at 31 July 2019 (13 days at 31 July 2018). The College had no interest payments liable under the Late Payment of Commercial Debts (Interest) Act 1998.

To comply with FRS102, deferred capital grants now only consist of capital grants received from Government sources. Next year's projected release of £744k (2018 £719k) is shown within creditors falling due within one year with the balance of £23m (2018 £22.5m) shown within creditors falling due after one year.

The early retirement pension provision has reduced by £14k to £499k.

The College uses actuaries (Hymans Robertson LLP) to undertake an annual valuation of its share of the Strathclyde Pension Fund liability. The valuation at 31 July 2019 increased the deficit on the College's share of this net pension liability from £1.352m at 31 July 2018 to £3.383m as at 31 July 2019. £1.332m of the net movement was an actuarial loss (outwith our control) which has been reflected through the SOCIE as a decrease in our total comprehensive income for the year.

Taking all of the above into account, the SOCIE shows a total comprehensive loss for the year of £1.1m (2018 gain of £4m), which flows through to the Balance Sheet as a decrease in total reserves of £1.113m to give a reserves total of £7.748m as at 31 July 2019 (2018 £8.84m).

In the year, the College had a positive cashflow with an increase in cash at bank and in hand of £909k (see note 19). This essentially flowed through from operations after adjusting for net depreciation of £233k and movements in working capital.

## Performance Report

### Financial Performance (continued)

#### Core Financial Performance Indicators

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

	<b>2018/19</b>	<b>2017/18</b>
Non SFC income as a % of total income	18.5%	20.5%
Current assets : current liabilities	1.05:1	0.64:1
Days cash	33	15
Prompt payment to suppliers	15 days	13 days
Net assets including pension provision	£7.7m	£8.9m

#### Financial Resource Position

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

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

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

#### Spend of Fixed Budget for Priorities

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

	<b>2018/19</b>	<b>2017/18</b>
	£000	£000
<b>Fixed budget for priorities</b>	197	197
<i>Revenue priorities</i>		
Estates costs	197	111
<i>Capital Priorities</i>		
Lennartz repayments	-	86
<b>Total priorities spend</b>	<b>197</b>	<b>197</b>

## Performance Report

### Financial Performance (continued)

#### Adjusted Operating Position

With the College now designated as a public benefit entity, additional disclosures are required by the Accounts Direction issued by the Scottish Funding Council. The adjusted operating position shown below is intended to reflect the financial performance of the College after allowing for non-cash adjustments and material distorting adjustments produced by the SORP. The adjusted operating position is therefore designed to smooth out volatility in results arising from FRS102 and give a better indication of the College's cash generative capacity.

	Year ended 31 July 2019	* Year ended 31 July 2018
	£000	£000
<b>Surplus from SOCIE before other gains / (losses)</b>	219	36
<b>Add</b> depreciation (net of deferred capital grant)	233	205
non-cash pension adjustment - net service cost	652	407
non-cash pension adjustment - net interest cost	47	80
non-cash pension adjustment - early retirement provision	19	(3)
<b>Less</b> fixed budget for priorities allocated to Lennartz repayments	-	(86)
<b>Adjusted operating surplus</b>	<b>1,170</b>	<b>639</b>

\*Restated in agreement with the Scottish Funding Council

#### Going Concern

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue in operational existence for the foreseeable future. This being the case, the Board continues to adopt the going concern basis in preparing the financial statements.

The Performance Report on pages 4 to 14 was approved on behalf of the Board of Management on 26 November 2019 and signed on its behalf by:



.....  
 Stewart McKillop – Principal



.....  
 Andrew Kerr – Chair of the Board of Management

## **Accountability Report**

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

### **Corporate Governance Report**

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

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

### **Directors' Report**

#### **Statutory Background**

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

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

#### **Directors**

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

#### **Register of Interests**

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

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

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

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

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

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

A full review of financial performance has been given in the Performance Report on pages 11 to 14 of these financial statements.

#### **Taxation Status**

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

#### **Regional Board Expenses**

The College contributes to the share of the costs of operating the Lanarkshire Regional Board. Its share of the costs in the year ended 31 July 2019 was £28,851 (2018 £33,216).

## **Accountability Report**

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

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Acts 1992 and 2005, the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education, the 2016/17 Government Financial Reporting Model (FReM) issued by the Scottish Government and other relevant accounting standards. In addition, the Board of Management through its designated office holder (The Principal) is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

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

In preparing the financial statements, the Board of Management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the College will continue in operation.

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

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with The Lanarkshire Board and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the College and prevent and detect fraud;
- Secure the economical, efficient and effective management of the College's resources and expenditure;
- Ensure sound corporate governance and proper conduct of the College's operations.



## **Accountability Report**

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

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

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

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

### **Governance Statement**

#### **Introduction**

South Lanarkshire College is committed to exhibiting good practice in all aspects of corporate governance. This governance statement is written to assist the reader of the financial statements understand how the principles have been applied.

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2019 and reports the Board's assessment of the effectiveness of these arrangements.

#### **The Board**

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

The Board is made up of the Principal and independent non-executive members appointed by the Board, together with employee and student representatives who are elected by their peers. The Chair of the Board and its committees are non-executive members. The Board sets and monitors the strategic direction of SLC following consultation with The Lanarkshire Board, oversees College work and sets high standards of governance and management.

The Board's remit and responsibilities are laid out in the Constitution and Articles of Government, and the matters specially reserved to the Board are set out in that document, by custom and under the Financial Memorandum between the Lanarkshire Board and South Lanarkshire College dated January 2016.

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

## Accountability Report

### Governance Statement (continued)

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

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

In September 2019, the Principal intimated his retirement however he will remain in post until his successor has been appointed and takes over the role of Principal.

The Board of Management who served in the year together with any post year end changes were -

Name	Designation	Date of Change	Occupation
Andy Kerr	Chair		CEO of Sense Scotland
Paul Hutchinson	Vice Chair	Appointed 18 September 2018	Head of Profession, Communications & Networks, Atkins Ltd.
Stewart McKillop	College Principal		College Principal & Chief Executive
Linda McTavish		Resigned 8 March 2019	Chair of the Lanarkshire Board
Keith Fulton		Appointed 10 September 2018	Interim Chair of the Lanarkshire Board
Stuart Dillett			Manager with idverde
Chris McDowall	Chair of Human Resources Committee		Partner at Anderson Strathern LLP
Robert Ralston	Chair of Audit Committee	Resigned 11 June 2019	Chartered Accountant
Sean Duffy			Chief Executive of the Wise Group
Clare Gibb			Director & Company Secretary of McConnell Gibb Partnership
Irene Johnstone			Former Head of British Lung Foundation (Scotland & Northern Ireland)
Gill Stillie		Resigned 7 October 2019	Non-Executive Director – Scottish Prison Services
Lesley Glen	Chair of Audit Committee	Appointed 18 February 2019	The Institute of Chartered Accountants of Scotland – Chief Operating Officer
Patricia Donnelly		Appointed 11 February 2019	Chief Executive, The Mungo Foundation
Paul Hughes		Appointed 12 February 2019	Head of Programmes, STV
Yvonne Johnston		Appointed 13 March 2019	Estates Transformation and Change Lead, Police Scotland
Jean Carratt	Lecturing staff representative		Care lecturer at SLC
Rose Harkness	Support staff representative		Head of Student Services at SLC
Julie McKenzie	Student President 2017-18	Resigned 18 September 2018	Student at SLC
Claire Paterson	Student President 2018-19	Appointed 18 September 2018 Resigned 17 September 2019	Student at SLC

## Accountability Report

### Governance Statement (continued)

Name	Designation	Date of Change	Occupation
Elizabeth Newlands	Student Vice-President 2018-19	Appointed 18 September 2018	Student at SLC
	Student President 2019-20	Appointed 17 September 2019	
Kimberley Dougans-Haining	Student Vice-President 2019-20	Appointed 17 September 2019	Student at SLC

Ms. Gill Stillie serves as Senior Independent Member of the Board. Ms. Angela Martin, an employee of the College, serves as Clerk to the Board of Management. Other directorships of Board members may be found at <https://www.south-lanarkshire-college.ac.uk/about-us/about-the-board-of-management/board-members/>

Ms Linda McTavish took a leave of absence from her position as Chair of the Lanarkshire Board from 10<sup>th</sup> September 2018, for a period of up to 6 months, and the position was filled on an interim basis by Mr Keith Fulton, who was the Senior Independent Member of the Lanarkshire Board. Ms Linda McTavish subsequently resigned as Chair of the Lanarkshire Board on 8<sup>th</sup> March 2019 and Mr Keith Fulton continued to represent the Lanarkshire Board on the South Lanarkshire College Board of Management until August 2019, when the new Chair of the Lanarkshire Board, Ronnie Smith, was appointed.

#### Board Committees

Committees of the Board generally meet four times a year, reporting to the main Board at the immediately following Board meeting. Committees are comprised of lay members, with each also containing the Principal and the Chair of the Board. The exception to this arrangement is that the Principal cannot be a member of the Audit Committee. The Chair of the Board is also not permitted to be a member of the Audit Committee. A lay member of the Board chairs all Committees. Appropriate College officers submit reports to, and attend, Committee meetings as required. The College also has a Remuneration Committee which meets as and when required. All Committees of the Board have written remits, referred to as Terms of Reference. A synopsis of these remits is given below.

#### Audit Committee

The Audit Committee invites the College's internal and external auditors to its meetings as required. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal controls and management's responses and implementation plans. It also concerns itself with monitoring the College's arrangements for Risk Management. In addition, it receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements. Whilst the Chair of the Board and the Principal can attend meetings of the Audit Committee by invitation, they are not members of that Committee. Additionally, membership of the Audit and Finance Committees is mutually exclusive to ensure full objectivity in associated areas of remit. The Audit Committee for 2018/19 was comprised as follows: -

Mr R Ralston (Chair – resigned 11 June 2019)  
 Ms L Glen (Chair – appointed 11 June 2019)  
 Mr P Hutchinson

#### Finance and Resources Committee

The Finance and Resources Committee recommends to the Board the College's financial statements and its annual revenue and capital budgets and monitors performance in relation to these approved budgets. The Committee also advises the Board on overall strategy, procurement and planning for the College's property, equipment and estates. The Finance and Resources Committee for 2018/19 was comprised as follows: -

Mr A Kerr (acting Chair)  
 Ms C Gibb  
 Mr S Dillett  
 Mr S McKillop

## Accountability Report

### Governance Statement (continued)

#### Human Resources Committee

The Human Resources Committee oversees the appointment of additional members of staff and salary award negotiations. The Committee also consider staff development and matters concerning the terms and conditions of College staff. The Human Resources Committee for 2018/19 was comprised as follows: -

Mr C McDowall (Chair)  
Ms R Harkness  
Ms G Stillie  
Mr S McKillop

#### Development Committee

The Development Committee considers and directs the College's marketing and commercial strategy and oversees its continuing progression. The Development Committee for 2018/19 was comprised as follows: -

Ms I Johnstone (Chair)  
Mr S Duffy  
Ms J Carratt  
Mr P Hughes  
Ms J McKenzie (Resigned 18 September 2018)  
Mr S McKillop  
Ms C Paterson (Resigned 17 September 2019)  
Ms E Newlands (Appointed 18 September 2018)  
Ms K Dougans-Haining (Appointed 17 September 2019)

#### Remuneration Committee

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

#### Attendance at the relevant meetings throughout the year was as follows:

• Board of Management	72%	(2017/18: 85%)
• Audit	95%	(2017/18: 85%)
• Finance and Resources	84%	(2017/18: 88%)
• Human Resources	88%	(2017/18: 100%)
• Development	88%	(2017/18: 95%)

#### Governance Developments in the year

The College is committed to exhibiting best practice in all aspects of its governance. It is a condition of the Financial Memorandum that governing bodies comply with the principles of good governance set out in the Code of Good Governance for Scotland's Colleges 2016 ("The Code"). This codifies the principles of good governance that exist in colleges and promotes accountability and continuous improvement in governance.

In January 2017, Scott-Moncrieff our internal auditors, produced a report on corporate governance arrangements at the College, focussing on the requirements of the Financial Memorandum between The Lanarkshire Board and South Lanarkshire College. The report concluded that the College has adequate and effective controls in place to comply with the additional corporate governance requirements documented within the Financial Memorandum. The arrangements or requirements have not changed since then.

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

## Accountability Report

### Governance Statement (continued)

The College has a five-year financial strategy and an updated five-year financial forecast to 2023/24 which was approved by the Board in September 2019. The five-year financial strategy is revisited annually and incorporated within our overall strategic plan. The figures from the approved five-year financial strategy are reflected within the Financial Forecast Return (FFR) which is submitted annually to SFC via the Regional Board.

The College performs an annual self-assessment, outlining performance against key targets and performance indicators within the Regional Outcome Agreement.

#### Board Effectiveness

The Board undertakes an annual self-evaluation exercise, and one separate session per year is devoted to strategic planning and governance. In addition, and in accordance with the Code of Good Governance for Scotland's Colleges, an externally facilitated Board effectiveness review was undertaken and the report was published in November 2017. The review involved the design and issue of a self-assessment questionnaire to all Board Members, interviews with Board Members, facilitation of a Board effectiveness workshop, testing of the findings emerging from the workshop and development of an action plan for improvement. This report was distributed to The Regional Board and has been published on the College website.

<https://www.south-lanarkshire-college.ac.uk/about-us/about-the-board-of-management/board-effectiveness-report/>

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

The systems of internal control are designed to evaluate the nature and extent of any risks and to manage them efficiently, effectively and economically.

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

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

The systems are designed to manage, rather than eliminate, the risk of failure to achieve the College's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system has been in place for the year ended 31 July 2019 and up to the date of approval of the annual report and financial statements. The internal auditor has expressed the opinion that the Board did have adequate and effective risk management, control and governance procedures to manage its achievement of the College's objectives at the time internal audit work was undertaken.

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

- The SMT within the College who have responsibility for the development and maintenance of internal control framework;
- The line management process within the College and framework of regular management information;
- The work of the internal auditors, which is directed through an audit plan agreed by the Audit Committee and focuses on identified control risk areas. The internal auditors submit regular reports on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- The College's Audit Committee, which assesses the effectiveness of assurances in relation to the systems of governance, risk management and internal control;
- Comments made by the external auditors in their management letters.

## **Accountability Report**

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

A Regional Risk Group has a remit to identify and address strategic risks which may impact the Region, as opposed to those that may only affect the individual Regional colleges. Management from both colleges are members of the Group. The Group reports to the Audit Committee of the Regional Strategic Board, whilst South Lanarkshire College's own Audit Committee and its Risk Management Group both also receive and consider the reports produced by the Regional Group.

Key issues and risks identified within the College's current Risk Register are detailed within the Performance Report at page 6 of these financial statements, along with details on how the risks are managed and mitigated.

#### **Data Security**

There were no significant lapses of data security during the year ended 31 July 2019. During the year, the College was awarded Cyber Essentials Plus and was the first college in the United Kingdom to receive this accreditation. Cyber Essentials is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats.

#### **Significant Issues**

During the financial year to 31 July 2019 and to the date of this statement, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

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

The College complies with all of the principles of the 2016 Code of Good Governance for Scottish Colleges, and has complied throughout the year ended 31 July 2019.

#### **Conclusion**

On the basis of the assurances provided from the sources of assurance outlined above, we can confirm that sound systems of governance, risk management and internal control, compliant with the requirements of the 2016 Code of Good Governance and the relevant parts of the SPFM, have operated for the year ended 31 July 2019 and up to the date of approval of the report and financial statements.

## **Remuneration and Staff Report**

### **Introduction**

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2018/19 Government Financial Reporting Model (FRoM) issued by the Scottish Government.

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

### **Remuneration Policy**

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

## Accountability Report

### Remuneration and Staff Report (continued)

#### Remuneration including salary and pension entitlements

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

Name	Year ended 31 July 2019			Year ended 31 July 2018		
	Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Stewart McKillop	140-145	20-25	160-165	140-145	20-25	160-165

The Principal received no performance related pay, bonuses, salary paid in lieu of pension nor non-cash benefits in either year. His salary at 31<sup>st</sup> July 2019 was £142,895 with a back-dated award resulting in the above banding.

#### Median and Range of Remuneration

The mid-point remuneration of the highest paid official in the organisation in the financial year 2018-19 was 3.4 times (2017/18 3.6 times) the median remuneration of the permanent workforce which was £41,526 (2017/18 £39,329). It should be noted that the median figure does not reflect the average salary of staff in the organisation; the median effectively reflects the top of the lecturing scale due to the significant number of College employees who receive this.

The College pays the Glasgow Living Wage (£9.00 per hour as of April 2019) as a minimum and thus the lowest salary expressed as an FTE is £16,380 with the highest salary being £142,895. The College received Living Wage Accreditation in 2016/17.

#### Accrued Pension Benefits

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

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

Further details may be found at [www.spfo.org.uk](http://www.spfo.org.uk) and [www.sppa.gov.uk](http://www.sppa.gov.uk).

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

#### Senior Officials Pension

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

Name	Accrued pension at age at 31 July 2019	Accrued lump sum at pension age at 31 July 2019	Real increase in pension Year ended 31 July 2019	Real increase in lump sum year ended 31 July 2019	CETV at 31 July 2019	CETV at 31 July 2018	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Stewart McKillop	68	203	3	8	1,630	1,477	153

## Accountability Report

### Remuneration and Staff Report (continued)

These benefits have accrued over the duration of the employee's membership of the scheme in which time significant contributions have been made by previous employers and the employee himself.

#### Cash Equivalent Transfer Value (CETV)

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

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

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

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

#### Real increase in CETV

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

#### Staff Numbers and Related Costs

Staff Numbers (Gross)		2018/19	2017/18		2018/19	2017/18
Staff on Permanent contracts	Numbers	256	248	Cost	£10,501k	£9,420k
Staff on Temporary contracts	Numbers	134	100	Cost	£1,271k	£1,522k
Male staff	Numbers	138	124			
Female staff	Numbers	252	224			

#### Compensation for loss of office

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

#### Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 March 2019.

#### Relevant union officials

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



## Accountability Report

### Remuneration and Staff Report (continued)

#### Percentage of time spent on facility time

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

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

Total cost of facility time:	£21K
Total pay bill:	£11.693m
Percentage of the total pay bill spent on facility time:	0.18%

#### Paid trade union activities

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

Expenditure on consultancy during the year was £2k (2017/18 - £3k).

#### Off-payroll Engagements

There were no off-payroll engagements during the year (2017/18 – nil).

#### Continuous improvement

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

Ongoing workforce planning enables the College to achieve high and sustainable performance by providing the basis for better decision-making about the future needs of the organisation in terms of its people resources. The College developed a 5-year Workforce Planning Strategy (2017/2021). The strategy demonstrates the College's commitment to attracting, recruiting, motivating and engaging staff that can then be supported, developed and thereby retained to ensure that the best people deliver high quality learning to students. During 2018/19 in response to increasing student numbers the permanent headcount within the teaching and teaching services staff increased by 5 FTE.

#### Investors in People

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

#### Training and Development

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

We continue to offer a varied programme on staff development days which focus on learning and teaching, equalities and developing skills. We open staff development sessions to staff at New College Lanarkshire.

In addition, there is continual staff CPD activity throughout the year and staff are encouraged to continually seek opportunities to develop. All staff have a personal learning log that records all CPD activities undertaken.

## Accountability Report

### Remuneration and Staff Report (continued)

#### Equality, Diversity and Inclusion

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

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

The College produced a new equality Mainstreaming Report 2017/2021 in April 2017. The report provides an overview of the work undertaken by the College on equality, and the legislative, economic and social changes both locally and nationally. It demonstrates the progress made in relation to the Public Sector Equality Duty under the Equality Act 2010 and the Equality Outcomes generated detail what the College plan to do, taking account of the need to: -

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

During 2017/2018, the College became a Disability Confident Employer and is continuing to promote the commitment to equality throughout the recruitment process.

The College developed a Gender Action Plan during 2016/2017 to achieve the ambition set by the Scottish Funding Council, that by 2030 no college or university will have a gender imbalance of greater than 75% of one gender.

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

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

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

The College is dedicated to raising awareness and improving visibility of LGBT+ people and was delighted to achieve the LGBT Youth Charter of Rights Foundation award. We are committed to supporting students and staff to ensure there are appropriate support mechanisms in place, and that everyone is valued and included. We are proud to be working towards the LGBT Charter of Rights. Demonstrating that we take LGBT+ equality seriously, that discrimination will be challenged, and that we have strong policies and procedures in place. We have fully accessible toilets and changing facilities in the New Annexe and Main Campus. We host a number of events and activities during the academic session to support and promote the LGBT+ community.

This year, in partnership with the Student Association, we held a 'Purple Friday' to coincide with LGBT+ History Month. The College was decorated in purple colours, we proudly displayed our LGBT+ Equality banner, and staff and students had the opportunity to join in the fun by wearing something purple to show their support. We had a number of organisations on hand to provide guidance, information and support to those individuals who wanted to find out more. There was also a tremendous amount of student engagement with Beauty Therapy and Make-up students providing brows, make-up, purple nails and face painting for all, with Photography students capturing all the fun of the day. Rainbow cupcakes were also available from the canteen on the day.

## Accountability Report

### Remuneration and Staff Report (continued)

During LGBT+ History Month we also held our popular Smile Mile and re-branded it Pride Stride. Led by the Student Association, a large number of our students joined the walk and showed their support by wearing rainbow shoelaces and waving the rainbow flags designed by the College. In addition to this, the College held a sell-out movie night showcasing the film 'Pride'. Free food and drink was provided to all who attended the event and it was a great success for raising LGBT+ awareness.

The College participated in the Glasgow Pride March this year with students and staff signed up to show their support.

### Health and Wellbeing

The health and wellbeing of staff and students remains a strong focus.

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

We remain committed to supporting and improving the mental health of our staff and students. We provide mindfulness classes to staff and students on a weekly basis during term time and continue to have a number of ASIST trained staff. Our Mental Health working group meets on a regular basis to discuss any concerns raised and ensure they are addressed.

The College was proud to achieve the Investors in People Health and Wellbeing Award in 2016. During 2018/19 we continued to work closely with our catering provider to ensure healthy options are always available to staff and students. We now provide staff with a slimming class that meets on a weekly basis and are continuing with the running/walking group and circuits classes on a weekly basis for staff facilitated by a professional personal trainer.

Staff absence for year 2018/19 was 3.87% (2017/18 5.96%).

### Equality Policy

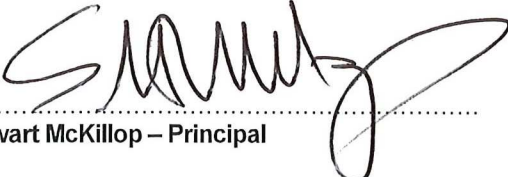
The South Lanarkshire College ethos statement, 'We believe in equality and diversity' confirms the commitment to placing this key issue at the forefront of all the College's work.

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

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

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

The Accountability Report on pages 15 to 27 was approved on behalf of the Board of Management on 26<sup>th</sup> November 2019 and signed on its behalf by:

  
Stewart McKillop – Principal

  
Andrew Kerr – Chair of the Board of Management

# **SOUTH LANARKSHIRE COLLEGE**

## **Financial Statements for the year ended 31 July 2019**

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

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

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

We have audited the financial statements in the annual report and accounts of South Lanarkshire College for the year ended 31 July 2019 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Principal Accounting Policies, Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet and Statement of Cash Flows and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college as at 31 July 2019 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

##### **Basis of opinion**

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

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

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

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

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

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but, is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

**Other information in the annual report and accounts**

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

**Report on regularity of expenditure and income**

**Opinion on regularity**

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

**Responsibilities for regularity**

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.



**SOUTH LANARKSHIRE COLLEGE**  
Financial Statements for the year ended 31 July 2019

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

**Responsibilities for regularity (continued)**

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

**Report on other requirements**

**Opinions on matters prescribed by the Auditor General for Scotland**

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

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

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

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

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

We have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

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

**Use of our report**

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



Lucy Nutley

For and on behalf of Mazars LLP

Apex 2  
97 Haymarket Terrace  
Edinburgh  
EH12 5HD

2 December 2019

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

## **Statement of Principal Accounting Policies**

### **Basis of Preparation**

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

### **Basis of Accounting**

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

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

### **Income recognition**

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

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

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

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

### **Grant Funding**

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

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

### **Donations and endowments**

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

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

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

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

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

### **Capital grants**

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

### **Fixed Assets**

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

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

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

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

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

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

### **Depreciation**

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

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



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

### **Stocks**

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

### **Accounting for Retirement Benefits**

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

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

### **Defined Benefit Schemes**

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

### **Strathclyde Pension Fund**

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

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

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

### **Employment benefits**

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

### **Cash and cash equivalents**

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

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

### **Financial liabilities and equity**

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

### **Taxation**

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

### **Maintenance of Premises**

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

### **Operating Leases**

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

### **Reserves**

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

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

Provisions are recognised in the financial statements when:

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

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

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

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

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

### **Changes in accounting policy**

There were no changes in accounting policies in the year.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

		Year ended 31st July 2019	Year ended 31st July 2018
	Note	£000	£000
<b>Income</b>			
Scottish Funding Council grants	1	14,494	12,856
Tuition fees and education contracts	2	3,081	2,821
Other income	3	214	191
Donations and endowments	4	-	-
Investment income	5	-	1
<b>Total income</b>		<u>17,789</u>	<u>15,869</u>
<b>Expenditure</b>			
Staff costs	6	12,424	11,349
Other operating expenses	8	4,119	3,480
Interest and other finance costs	9	67	80
Depreciation	10	960	924
<b>Total expenditure</b>		<u>17,570</u>	<u>15,833</u>
<b>Surplus before other gains/(losses)</b>		219	36
Exceptional gain on release of Lennartz balance	14	-	292
<b>Surplus before tax</b>		<u>219</u>	<u>328</u>
Taxation	11	-	-
<b>Surplus for the year</b>		<u>219</u>	<u>328</u>
Actuarial (loss)/gain in respect of pension scheme		(1,332)	1,877
Unrealised surplus on revaluation of land and buildings	10	-	1,795
<b>Total comprehensive income for the year</b>		<u>(1,113)</u>	<u>4,000</u>
Represented by:			
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive income for the year		<u>(1,113)</u>	<u>4,000</u>
		<u>(1,113)</u>	<u>4,000</u>

All items of income and expenditure relate to continuing activities.

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

The notes on pages 39 to 52 and accounting policies on pages 31 to 34 form part of these financial statements.

**SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2019

**STATEMENT OF CHANGES IN RESERVES**

	Income & expenditure reserve			Revaluation reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted £000		
Balance at 1st August 2017	-	-	(226)	5,087	4,861
Surplus from the income & expenditure statement	-	-	328	-	328
Actuarial gain in respect of pension scheme	-	-	1,877	-	1,877
Unrealised surplus on revaluation of land and buildings	-	-	-	1,795	1,795
Transfer between revaluation and unrestricted reserve	-	-	2	(2)	-
Total comprehensive income for the year	-	-	2,207	1,793	4,000
Balance at 1st August 2018	-	-	1,981	6,880	8,861
Surplus from the income & expenditure statement	-	-	219	-	219
Actuarial (loss) in respect of pension scheme	-	-	(1,332)	-	(1,332)
Transfer between revaluation and unrestricted reserve	-	-	2	(2)	-
Total comprehensive income for the year	-	-	(1,111)	(2)	(1,113)
Balance at 31st July 2019	-	-	870	6,878	7,748

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### BALANCE SHEET

	Note	As at 31st July 2019 £000	As at 31st July 2018 £000
<b>Non-current assets</b>			
Fixed assets	10	<u>34,524</u>	<u>34,115</u>
<b>Current assets</b>			
Stocks	12	8	8
Trade and other receivables	13	1,245	898
Cash and cash equivalents	19	<u>1,521</u>	<u>612</u>
		2,774	1,518
<b>Creditors: amounts falling due within one year</b>	14	<u>2,652</u>	<u>2,383</u>
<b>Net current liabilities</b>		<u>122</u>	<u>(865)</u>
<b>Total assets less current liabilities</b>		34,646	33,250
Less: Creditors - amounts falling due after one year	15	23,016	22,524
Less: Provisions for liabilities	16	<u>499</u>	<u>513</u>
<b>Net assets excluding pension liability</b>		11,131	10,213
<b>Net pension liability</b>	18	<u>3,383</u>	<u>1,352</u>
<b>TOTAL NET ASSETS</b>		<u><u>7,748</u></u>	<u><u>8,861</u></u>
<b>Reserves</b>			
Revaluation reserve		6,878	6,880
Income and expenditure account - unrestricted		870	1,981
Income and expenditure account - restricted		-	-
<b>TOTAL RESERVES</b>		<u><u>7,748</u></u>	<u><u>8,861</u></u>

The Financial Statements on pages 31 to 52 were approved by the Board of Management and authorised for issue on 26 November 2019, and signed on its behalf by:

  
 \_\_\_\_\_ Andrew Kerr - Chair of the Board of Management

  
 \_\_\_\_\_ Stewart McKillop - Principal

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### STATEMENT OF CASH FLOWS

	Year ended 31st July 2019	Year ended 31st July 2018
	£000	£000
<b>Net cash inflow from operating activities</b>		
Surplus for the financial year	219	328
Adjustments for:		
Depreciation of tangible assets	960	924
Release of Lennartz creditor	-	(292)
Increase in creditors due within one year	244	27
Increase in debtors	(347)	(165)
Interest payable	67	80
Amortisation of deferred capital grants	(727)	(719)
Early retirement pension payments	(33)	(35)
Interest receivable	-	(1)
Pension cost less contributions payable	652	407
Cash from operations	1,035	554
Income taxes paid	-	-
<b>Net cash generated from operating activities</b>	1,035	554
<b>Cash flows from investing activities</b>		
Interest received	-	1
Purchases of tangible fixed assets	(1,369)	(199)
<b>Net cash flows from investing activities</b>	(1,369)	(198)
<b>Cash flows from financing activities</b>		
Interest paid	(1)	(3)
Repayment of Lennartz creditor	-	(86)
Government capital grants received	1,244	200
<b>Net cash flow from financing activities</b>	1,243	111
<b>Net increase in cash and cash equivalents</b>	<b>909</b>	<b>467</b>
<b>Cash and cash equivalents at the beginning of the year</b>	612	145
<b>Cash and cash equivalents at the end of the year</b>	<b>1,521</b>	<b>612</b>

**SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2019

**Notes to the Financial Statements****1. SCOTTISH FUNDING COUNCIL GRANTS**

	Year ended 31st July 2019	Year ended 31st July 2018
	£000	£000
SFC recurrent grant	12,715	11,150
SFC non recurrent grants - other	796	604
Release of government capital grants	Note 17 617	609
FE and HE Childcare	366	493
<b>Total</b>	<u>14,494</u>	<u>12,856</u>

**2. TUITION FEES AND EDUCATION CONTRACTS**

	Year ended 31st July 2019	Year ended 31st July 2018
	£000	£000
UK Higher Education students	1,182	1,151
Non EU Higher Education students	81	71
UK Further Education students	983	896
SDS contracts	378	379
Other contracts	457	324
<b>Total</b>	<u>3,081</u>	<u>2,821</u>

**3. OTHER INCOME**

	Year ended 31st July 2019	Year ended 31st July 2018
	£000	£000
Other revenue grants	14	10
Other income	90	71
Release of ERDF deferred capital grant	Note 17 110	110
<b>Total</b>	<u>214</u>	<u>191</u>

**4. DONATIONS**

	Year ended 31st July 2019	Year ended 31st July 2018
	£000	£000
Donations with restrictions	-	-
Unrestricted donations	-	-
<b>Total</b>	<u>-</u>	<u>-</u>

**SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2019

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

	Year ended 31st July 2019 £000	Year ended 31st July 2018 £000
Bank interest received	-	1

**6. STAFF**

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

	Year ended 31st July 2019 <i>Number</i>	Year ended 31st July 2018 <i>Number</i>
Teaching departments	141	139
Teaching services	50	47
Administration and central services	42	38
Premises	27	26
Other support services	8	8
<b>Total</b>	<b>268</b>	<b>258</b>

Analysed as:

Staff on permanent contracts	237	225
Staff on temporary contracts	31	33
<b>Total</b>	<b>268</b>	<b>258</b>

**Staff costs for the above persons:**

	Year ended 31st July 2019 £000	Year ended 31st July 2018 £000
Wages and salaries	9,412	8,712
Social security costs	896	858
Other pension expense - Employer contributions	1,464	1,372
Provisions	-	-
Staffing costs prior to FRS102 pensions adjustment	11,772	10,942
FRS 102 pensions adjustment	652	407
<b>Total</b>	<b>12,424</b>	<b>11,349</b>
Teaching departments	7,134	6,857
Teaching services	1,545	1,345
Administration and central services	2,089	1,808
Premises	747	689
Other support services	257	243
	11,772	10,942
FRS 102 pensions adjustment	652	407
<b>Total</b>	<b>12,424</b>	<b>11,349</b>



## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 6. STAFF (continued)

##### Indexation

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

##### Salary award

The College has subscribed to the national collective bargaining arrangements in Scotland which cover support staff and lecturing staff, other than those outwith the scope of the agreement. Awards were made to support staff and lecturing staff for the years from 1st April 2018 and 1st April 2019 in line with the agreements reached by the National Joint Negotiating Committee during the year. All awards have been accounted for in the financial year to 31st July 2019.

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

##### Overseas travel

The cost of overseas travel undertaken by College staff in the year was £2k (2017/18 £4k). All expenses were fully funded via the EU's Erasmus + programme.

##### Analysis of Staff Costs:

	Year ended 31st July 2019 £000	Year ended 31st July 2018 £000
Staff on permanent contracts	10,501	9,420
Staff on temporary contracts	1,271	1,522
	<u>11,772</u>	<u>10,942</u>
FRS 102 pensions adjustment	652	407
<b>Total</b>	<u><u>12,424</u></u>	<u><u>11,349</u></u>

#### 7. SENIOR POSTHOLDERS' EMOLUMENTS

##### Emoluments of the Board of Management

The members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

##### Emoluments of the Principal

Emoluments of the postholder during the year were as follows:

	Year ended 31st July 2019 £000	Year ended 31st July 2018 £000
Remuneration	143	141
Benefits in kind	-	-
	<u>143</u>	<u>141</u>
Employer's pension contributions	<u>24</u>	<u>24</u>

The Principal's salary as at 31st July 2019 was £142,895; the figure above reflects that the award was made towards the end of the financial year.

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

The Principal is an ordinary member of the Scottish Teachers' Superannuation Scheme. The College's contribution to the Scheme is paid at the same percentage rate as for other members of academic staff.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 7. SENIOR POSTHOLDERS' EMOLUMENTS (continued)

##### Emoluments of higher paid members of staff

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

	Year ended 31st July 2019 Number	Year ended 31st July 2018 Number
£60,001 to £70,000	1	4
£70,001 to £80,000	3	-
£90,001 to £100,000	1	1
£140,001 to £150,000	1	1
	<u>6</u>	<u>6</u>

Five of the 2019 employees are members of the College Senior Management Team, with the other being a manager outwith the Senior Management Team.

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

	£000	£000
Salaries	527	489
Pensions contributions	92	85
Total emoluments	<u>619</u>	<u>574</u>

#### 8. OTHER OPERATING EXPENSES

	Year ended 31st July 2019 £000	Year ended 31st July 2018 £000
Teaching departments	911	677
Teaching support	161	124
Administration and central services	942	779
Premises	1,547	1,156
Other expenses	192	251
FE and HE Childcare	366	493
<b>Total</b>	<u>4,119</u>	<u>3,480</u>
<b>Administration and central services include:</b>	<b>£000</b>	<b>£000</b>
Auditors' Remuneration (including irrecoverable VAT)		
- Internal audit	20	20
- External audit	14	14
Rentals under operating leases - equipment	100	108

#### 9. INTEREST PAYABLE

	Year ended 31st July 2019 £000	Year ended 31st July 2018 £000
Bank interest	1	3
Net charge on pension scheme liabilities	66	77
<b>Total</b>	<u>67</u>	<u>80</u>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 10. FIXED ASSETS

	Land £000	Buildings £000	Eco- House £000	Furniture & Fittings £000	Computer Equipment £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
<b>Cost or valuation:</b>								
At 1st August 2018	1,000	33,764	135	370	698	2,293	40	38,300
Additions	-	772	-	27	448	122	-	1,369
<b>At 31st July 2019</b>	<b>1,000</b>	<b>34,536</b>	<b>135</b>	<b>397</b>	<b>1,146</b>	<b>2,415</b>	<b>40</b>	<b>39,669</b>
<b>Depreciation:</b>								
At 1st August 2018	-	1,316	101	346	549	1,833	40	4,185
Provided during the period	-	714	34	16	109	87	-	960
Eliminated on revaluation	-	-	-	-	-	-	-	-
<b>At 31st July 2019</b>	<b>-</b>	<b>2,030</b>	<b>135</b>	<b>362</b>	<b>658</b>	<b>1,920</b>	<b>40</b>	<b>5,145</b>

#### Net Book Value

<b>At 31st July 2019</b>	<b>1,000</b>	<b>32,506</b>	<b>-</b>	<b>35</b>	<b>488</b>	<b>495</b>	<b>-</b>	<b>34,524</b>
<b>At 1 August 2018</b>	<b>1,000</b>	<b>32,448</b>	<b>34</b>	<b>24</b>	<b>149</b>	<b>460</b>	<b>-</b>	<b>34,115</b>

#### **Financed by:**

SFC grants	679	17,985	-	12	392	274	-	19,342
EU capital grants	254	4,164	-	-	-	-	-	4,418
	933	22,149	-	12	392	274	-	23,760
Own funds	67	10,357	-	23	96	221	-	10,764
<b>At 31st July 2019</b>	<b>1,000</b>	<b>32,506</b>	<b>-</b>	<b>35</b>	<b>488</b>	<b>495</b>	<b>-</b>	<b>34,524</b>

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

	<b>934</b>	<b>25,692</b>	<b>-</b>	<b>35</b>	<b>488</b>	<b>495</b>	<b>-</b>	<b>27,644</b>
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Land and buildings were independently valued as at 31 July 2018 for the purposes of the financial statements by external valuers Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of RICS Valuation - Global Standards, July 2017 edition as published by the Royal Institution of Chartered Surveyors (RICS) and FRS 102. The valuation was undertaken on a fair value basis, with specialised properties valued by reference to depreciated replacement cost.

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

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 11. TAXATION

The Board does not believe that the College is liable for any Corporation Tax arising out of its activities during the years ended 31st July 2018 and 31st July 2019.

#### 12. STOCKS

	As at 31st July 2019 £000	As at 31st July 2018 £000
Stocks for resale	4	4
Other stocks	4	4
<b>Total</b>	<u>8</u>	<u>8</u>

#### 13. TRADE AND OTHER RECEIVABLES

	As at 31st July 2019 £000	As at 31st July 2018 £000
Trade receivables	420	303
Other receivables	11	5
European funding	383	451
Prepayments and accrued income	431	139
<b>Total</b>	<u>1,245</u>	<u>898</u>

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

	As at 31st July 2019 £000	As at 31st July 2018 £000
Bank overdraft	-	-
Trade payables	28	103
Other taxes and social security costs	250	200
Other payables	211	165
Deferred income - restricted	385	622
Deferred income - Government capital grants (see note 17)	744	719
Accruals	985	463
Bursaries and Access funds for future disbursement or return to SFC	49	111
<b>Total</b>	<u>2,652</u>	<u>2,383</u>

The College successfully applied for VAT relief under the Lennartz mechanism and received a proportion of irrecoverable VAT on the construction costs of the main campus building. £2,475,000 was received which was repayable to HM Revenue and Customs over 10 years with the final repayment made in January 2018. The Lennartz mechanism required annual calculations to determine the quantum of repayment for the year and as it transpired that £292,000 of the original advance did not require to be repaid to HMRC, this amount was released to the Statement of Comprehensive Income and Expenditure in the year to 31 July 2018 and was shown as an exceptional item.

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

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

	As at 31st July 2019 £000	As at 31st July 2018 £000
Deferred income - Government capital grants (see note 17)	23,016	22,524
<b>Total</b>	<u>23,016</u>	<u>22,524</u>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 16. PROVISIONS FOR LIABILITIES

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

	Year ended 31st July 2019 £000	Year ended 31st July 2018 £000
<b>At 1 August 2018</b>	513	548
Charged to SOCIE	19	-
Expenditure during the year	(33)	(35)
<b>At 31st July 2019</b>	<u>499</u>	<u>513</u>

This provision is in respect of future pension liabilities arising from early retirements in prior years. The pension liability has been revalued using actuarial tables supplied by SFC. The net interest rate applied was 0% (2018:0.5%).

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

	£000
<b>At 1st August 2018</b>	23,243
Additional grants	1,244
Release to Income and Expenditure Account	(727)
<b>At 31st July 2019</b>	<u>23,760</u>
Disclosed as follows;	
Amount falling due within one year	744
Amount falling due after one year	23,016
	<u>23,760</u>
<b>Source of Deferred Capital Grant</b>	
Sourced from SFC	19,342
ERDF Grant	4,418
<b>Total</b>	<u>23,760</u>
<b>Analysis of Release</b>	
Funded via SFC Grants & capital contributions	Note 1 617
Funded via ERDF Grants	Note 3 110
	<u>727</u>

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

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 18. PENSIONS

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

For support staff, the contribution payable by the College throughout the financial year to 31 July 2019 was 19.3% of pensionable salary. Support staff contribution rates were in a range of between 5.5% and 12.0% depending upon salary and terms and conditions of service. The same rates were in place for the previous financial year.

For lecturing staff, the contribution payable by the College is 17.2% of pensionable salaries. Employee contribution rates for lecturing staff are based upon a system of tiered contributions ranging from 7.2% to 11.9%, depending upon salary level.

The total employer pension payments for the College were:	year ended 31st July 2019 £000	year ended 31st July 2018 £000
Contributions to STSS	963	922
Contributions to SPF	502	450
	<u>1,465</u>	<u>1,372</u>

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

	year ended 31st July 2019 £000	year ended 31st July 2018 £000
<b>Charged to staff costs</b>		
Current service costs	1,876	1,779
Past service costs	238	-
<b>Total charged to staff costs</b>	<u>2,114</u>	<u>1,779</u>
<b>Credit/(charge) for net return on pension scheme</b>		
Interest income	(366)	(321)
Interest cost	432	398
<b>Net interest charged</b>	<b>66</b>	<b>77</b>
<b>(Credit)/charge to other comprehensive income</b>		
Return on assets	(633)	(481)
Changes in demographic assumptions	(715)	48
Other experience	-	(326)
Gains and losses arising on changes in financial assumptions	2,680	(1,118)
<b>Actuarial loss/(gain)</b>	<u>1,332</u>	<u>(1,877)</u>
<b>Total charge/(credit) to the SOCl</b>	<u>3,512</u>	<u>(21)</u>

#### Scottish Teachers' Superannuation Scheme

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

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

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

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

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

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

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 18. PENSIONS (continued)

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2014 were £346.3 million. South Lanarkshire College level of participation in the scheme is 0.2% based on the proportion of employer contributions paid in 2013/14. This is the latest such information we have on the scheme.

##### Local Government Superannuation Scheme

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

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

Valuation date	31st March 2017
Valuation method	Projected Unit Method
Market value of the assets at the date of the last formal valuation	£19,699 million
Past service liabilities	£18,761 million
Surplus	£939 million
Funding level	105%
	Funding basis (% pa)
Discount rate: post-retirement	3.30%
Discount rate: pre-retirement	3.70%
Salary scale increases per annum	3.60%
Benefit increase assumption (CPI)	2.40%

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

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

The following disclosures are required under FRS 102.

The valuation was updated by the actuary on an FRS 102 basis as at 31st July 2019 and 31 July 2018.

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

	Update at 31 July 2019	Update at 31 July 2018
Inflation / pension increase rate	2.4%	2.4%
Salary increases	3.6%	3.6%
Discount rate	2.1%	2.8%

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

##### Mortality

Life expectancy is based upon the Fund's VitaCurves specifically tailored to the membership profile of the Fund. Improvements have been applied that are in line with the CMI 2018 model assuming the rate of longevity improvements have reached a peak and will converge to a long term rate of 1.5% per annum for males and 1.25% for females. The assumed life expectancies at age 65 are shown below.

	Male	Female
Current pensioners	20.7	22.9
Future pensioners	22.2	24.6

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The valuations at 31 July 2019 have been prepared by Hymans Robertson LLP.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 18. PENSIONS (continued)

The movement in the funded part of the net pension liability for the year ended 31 July 2019 was as follows:

	Year ended 31 July 2019		
	Net (Liability)/		
	Assets	Obligations	Asset
	£000	£000	£000
Fair value of employer assets	12,875	-	12,875
Present value of funded liabilities	-	(14,227)	(14,227)
<b>Opening position as at 1 August 2018</b>	<b>12,875</b>	<b>(14,227)</b>	<b>(1,352)</b>
Current service cost	-	(913)	(913)
Past service cost (including curtailments)	-	(238)	(238)
<b>Total service cost</b>	<b>-</b>	<b>(1,151)</b>	<b>(1,151)</b>
Interest income on plan assets	366	-	366
Interest cost on defined benefit obligation	-	(413)	(413)
<b>Total net interest</b>	<b>366</b>	<b>(413)</b>	<b>(47)</b>
<b>Total defined benefit cost recognised in SOCIE</b>	<b>366</b>	<b>(1,564)</b>	<b>(1,198)</b>
Employee contributions	152	(152)	-
Employer contributions	499	-	499
Benefits paid	(245)	245	-
<b>Total cash flows</b>	<b>406</b>	<b>93</b>	<b>499</b>
<b>Expected closing position</b>	<b>13,647</b>	<b>(15,698)</b>	<b>(2,051)</b>
Changes in demographic assumptions	-	715	715
Changes in financial assumptions	-	(2,680)	(2,680)
Return on assets excluding amounts included in net interest	633	-	633
<b>Total remeasurements in other comprehensive income</b>	<b>633</b>	<b>(1,965)</b>	<b>(1,332)</b>
Fair value of plan assets	14,280	-	14,280
Present value of funded liabilities	-	(17,663)	(17,663)
<b>Closing position as at 31 July 2019</b>	<b>14,280</b>	<b>(17,663)</b>	<b>(3,383)</b>

Information about the defined benefit obligation	Liability split at 31 July		
	2019	Weighted average duration	
	£000	%	at last formal valuation *
Active members	12,594	71.3%	24.4
Deferred members	2,307	13.1%	25.6
Pensioner members	2,751	15.6%	11.7
Total	17,652	100.0%	21.7

\* as at 31 March 2017



## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 18. PENSIONS (continued)

The movement in the funded part of the net pension liability for the year ended 31 July 2018 was as follows:

	Year ended 31 July 2018		
	Assets	Obligations	Net (Liability)/Asset
	£000	£000	£000
Fair value of employer assets	11,732	-	11,732
Present value of funded liabilities	-	(14,469)	(14,469)
Present value of unfunded liabilities	-	(5)	(5)
<b>Opening position as at 1 August 2017</b>	<b>11,732</b>	<b>(14,474)</b>	<b>(2,742)</b>
<b>Current service cost</b>	-	(857)	(857)
Interest income on plan assets	321	-	321
Interest cost on defined benefit obligation	-	(401)	(401)
<b>Total net interest</b>	<b>321</b>	<b>(401)</b>	<b>(80)</b>
<b>Total defined benefit cost recognised in SOCIE</b>	<b>321</b>	<b>(1,258)</b>	<b>(937)</b>
Employee contributions	138	(138)	-
Employer contributions	450	-	450
Benefits paid	(247)	247	-
<b>Total cash flows</b>	<b>341</b>	<b>109</b>	<b>450</b>
<b>Expected closing position</b>	<b>12,394</b>	<b>(15,623)</b>	<b>(3,229)</b>
Changes in demographic assumptions	-	(48)	(48)
Changes in financial assumptions	-	1,118	1,118
Other experience	-	326	326
Return on assets excluding amounts included in net interest	481	-	481
<b>Total remeasurements in other comprehensive income</b>	<b>481</b>	<b>1,396</b>	<b>1,877</b>
Fair value of employer assets	12,875	-	12,875
Present value of funded liabilities	-	(14,227)	(14,227)
<b>Closing position as at 31 July 2018</b>	<b>12,875</b>	<b>(14,227)</b>	<b>(1,352)</b>

#### Projected defined benefit cost for the year to 31 July 2020

	Assets	Obligations	Net (liability)/asset	
	£000	£000	£000	% of pay
Projected current service cost	-	(1,094)	(1,094)	(42.3%)
Interest income on plan assets	304	-	304	11.8%
Interest cost on defined benefit obligations	-	(381)	(381)	(14.7%)
Total included in SOCIE	<b>304</b>	<b>(1,475)</b>	<b>(1,171)</b>	<b>(45.2%)</b>

The valuation estimates that the Employer's contribution for the year to 31 July 2020 will be approx. £499,000.

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

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

The monetary amount of the projected service cost for the year to 31 July 2020 may be adjusted to take account of actual pensionable payroll for the year.

#### Sensitivity analysis

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

Change in assumptions at 31 July 2019	Approximate % increase to Employer Liability	Approximate monetary impact (£000)
0.5% decrease in real discount rate	12%	2,145
0.5% increase in the salary increase rate	2%	331
0.5% increase in pension increase rate	10%	1,769

## **SOUTH LANARKSHIRE COLLEGE**

Financial Statements for the year ended 31st July 2019

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

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

##### **McCloud ruling**

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

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

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

The Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect local assumptions and circumstances, particularly those for employer level salary increases and Fund level withdrawal rates. The revised estimate results in increase to the liabilities (shown as a past service cost within the 31 July 2019 disclosures) of £227,000 for South Lanarkshire College.

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

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

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

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

The estimated impact of GMP indexation has been to increase the total liabilities as at 31 July 2019 (shown as a past service cost within the 31 July 2019 disclosures) by £11,000 for South Lanarkshire College.

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

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

	At 1st August 2018 £000	Cash Flows £000	Other Changes £000	At 31st July 2019 £000
Cash in hand and at bank	612	909	-	1,521
Bank overdraft	-	-	-	-
<b>Total</b>	<b>612</b>	<b>909</b>	<b>-</b>	<b>1,521</b>

#### 20. LEASE OBLIGATIONS

Total rentals payable for equipment under operating leases

	year ended 31 July 2019 £000	year ended 31 July 2018 £000
<b>Future minimum lease payments due</b>		
Within one year	78	99
Between 1 and 5 years	37	111
	<u>115</u>	<u>210</u>

#### 21. CAPITAL COMMITMENTS

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

#### 22. CONTINGENT LIABILITIES

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

#### 23. POST BALANCE SHEET EVENTS

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

#### 24. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

#### 25. RELATED PARTY TRANSACTIONS

The Board of Management of South Lanarkshire College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by the Scottish Executive and subsequently the Scottish Further Education Funding Council until it merged to form a part of the Scottish Funding Council (SFC).

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

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

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

Member	Organisation	Position	Purchases in the year	Balance at 31 July 2019
Mr S. McKillop	WoSCoP	Director	£9,525	£0
Mr C McDowall	Anderson Strathern LLP	Partner	£22,733	£0

Mr S. McKillop, Principal of the College, is a director of the West of Scotland Colleges Partnership (WoSCoP), a Company Limited by Guarantee whose members, colleges of further education, pay an annual subscription and provide vocational education and training supported primarily by EU Structural Funds. The directorship is not remunerated.

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

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

	year ended 31st July 2019 £000	year ended 31st July 2018 £000
Surplus from SOCIE before other gains / (losses)	219	36
Add non cash budget to cover depreciation	197	197
Surplus on Central Government accounting basis for academic year	<u>416</u>	<u>233</u>

## SOUTH LANARKSHIRE COLLEGE

Financial Statements for the year ended 31st July 2019

### Notes to the Financial Statements

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

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

	2018/19					2017/18	
	Bursaries £000	FE Childcare £000	FE Hardship £000	EMA £000	HE Childcare £000	SFC Total £000	SFC Total £000
Grants received in period	2,710	366	664	141	394	4,275	3,641
B/fwd from previous year	126	-	-	(15)	-	111	121
Clawbacks re previous years	(308)	-	-	-	-	(308)	-
Virements to NCL	-	-	-	-	-	-	-
Internal virements	-	-	-	-	-	-	-
Disbursements to students	(2,492)	(366)	(664)	(126)	(395)	(4,043)	(3,651)
Funds from College	13	-	-	-	1	14	-
<b>C/fwd in Creditors - Note 14</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49</b>	<b>111</b>
<b>Analysis</b>							
Repayable to SFC	49	-	-	-	-	49	111
Retained for students	-	-	-	-	-	-	-
	49	-	-	-	-	49	111

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

	2018/19		2017/18	
	HE Hardship £000	SAAS Total £000	SAAS Total £000	SAAS Total £000
Grants received in period	157	157	331	-
B/fwd from previous year	-	-	-	-
Clawbacks re previous years	-	-	-	-
Funds from College	16	16	-	-
Virements	-	-	-	-
Disbursements to students	(173)	(173)	(331)	-
Interest received	-	-	-	-
<b>C/fwd in Creditors - Note 14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Analysis</b>				
Repayable to SAAS	-	-	-	-
Retained for students	-	-	-	-

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