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PERFORMANCE REPORT

Overview and Introduction

Following the requirements of Financial Reporting Standard 102 (FRS102) and the powers enshrined in the Lanarkshire Colleges Order 2014, Regional Financial Statements are required to be prepared by New College Lanarkshire, being the Regional Strategic Body (RSB) for Lanarkshire. Under the Order and determination of accounting standards, the RSB deemed it had the power to control the assigned College (South Lanarkshire College) during the year to 31st July 2019 triggering the requirement for consolidated Regional Financial Statements under FRS102. The Financial Statements also require the consolidation of Amcol Scotland Limited, a provider of Nursery Education and being a 100% subsidiary of New College Lanarkshire. In these Financial Statements the “College” heading refers to New College Lanarkshire and “Region” heading refers to consolidated figures for New College Lanarkshire, South Lanarkshire College and Amcol Scotland Limited.

The Board of Management thereby presents its audited Regional Financial Statements for the year ended 31st July 2019. The Financial Statements consist of the Annual Report and Accounts. The Annual Report consists of a Performance Report, an Accountability Report and where relevant, a Parliamentary Accountability Report. The Statements have been prepared in accordance with the Government Financial Reporting Manual (FRM), the Scottish Public Finance Manual (SPFM) and the Statement of Recommended Practice for Further and Higher Education (SORP). The SORP was issued in March 2014 and is effective for accounting periods beginning on or after 1st January 2015. The SORP reflects the changes to UK Generally Accepted Accounting Practices (GAAP) following the issuing of FRS 100, 101 and 102.

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

Legal Status

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

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

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

Legal Status (Continued)

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

The Region consists of three registered charities, New College Lanarkshire (SC021206), South Lanarkshire College (SC021181), and Amcol Scotland Limited (SC039758). All are recognised by the Office of the Scottish Charity Regulator (OSCR) and bound by the Charities and Trustee Investment (Scotland) Act 2005. A copy of the audited financial statements for South Lanarkshire College may be found on their website, and for Amcol Scotland Limited audited financial statements are available from Companies House.

Performance Analysis

Our Strategies and Purpose

Our Regional Strategy seeks to grow the supply of skills in support of developing our regional and national economy and to develop and grow ethical opportunities in education internationally. It also drives skills development to satisfy the need for higher-level qualifications by re-profiling and expanding our HE provision. Central to this are our Colleges' commitment to Science, Technology, Engineering and Mathematics (STEM) development strategies that direct a partnership approach with industry and business that will strive to ensure the supply of a skilled, knowledgeable and work ready workforce. We continue to invest in vocational areas where there is identified demand. In the Lanarkshire region a number of initiatives have been developed to promote effective employer engagement. The development of an Apprenticeship Strategy and related Foundation Apprenticeship (FA), Modern Apprenticeship (MA) and Graduate Apprenticeship (GA) frameworks ensures that the Colleges, using their expertise and knowledge of local industry are in a position to assist employers with a cost effective approach when delivering Apprenticeship training.

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

We aim to address the provision of skills within our strategy but in particular through our Senior Phase Vocational Pathways (SPVP) and STEM development strategies and through specialist vocational provision, the overwhelming majority of which is delivered in consultation and partnership with employers, local authorities, and universities. Hosting STEM-focussed school events has been a highly successful approach in raising awareness of STEM development approaches in 2018/2019. Skills development for employability and customer-focussed skills continues to grow within our vocational specific programmes and as part of our "employability" and "workforce development" programmes that intend to meet strong demand from customer service sectors. The highest employment opportunities for the future are within Construction and Health and Care. Demographic changes, potential reduction in the current care workforce, an increasing demand for skilled non-registered health care workers, alongside a continuing need for health professionals, and a national need for the expansion of Childcare ensures our focus on continuing innovation and the high proportion of delivery in Health, Care and Early Learning and Childcare.

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Our Strategies and Purpose (Continued)

The Colleges continue to address the needs of those disadvantaged in the labour market and serve some of the most affected areas in the country. For example, within North Lanarkshire in 2018, 18.1% of adults aged 16-64 held low or no qualifications (SCQF Level 4 and below), which is the lowest of all local authorities. One approach taken to ensure access for people from a range of backgrounds is to deliver training via the Flexible Workforce Development Fund, which facilitates the Colleges supporting employers to access flexible training, based upon their needs as well as signposting employers to where they can access additional support or training.

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

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

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

Vision

The Lanarkshire Colleges aim to be Scotland's leading provider of College education and training, recognised for their achievements in empowering people and enriching lives through learning.

Purpose

To ensure learners are well prepared for the future by providing innovative, high quality, relevant learning for careers, life and success; and to support the people, business, economy and sustainable development of Scotland.

Strategic Priorities

1. Inspirational Learner Journey: Empower people and enrich lives through learning.
2. Develop & Nurture: Innovate and grow together to realise ambition.
3. Effective & Efficient: Intensify the drive for excellence, equity and socio-economic impact.
4. Strong & Sustainable: Provide financial security, value for money and a sustainable built environment.

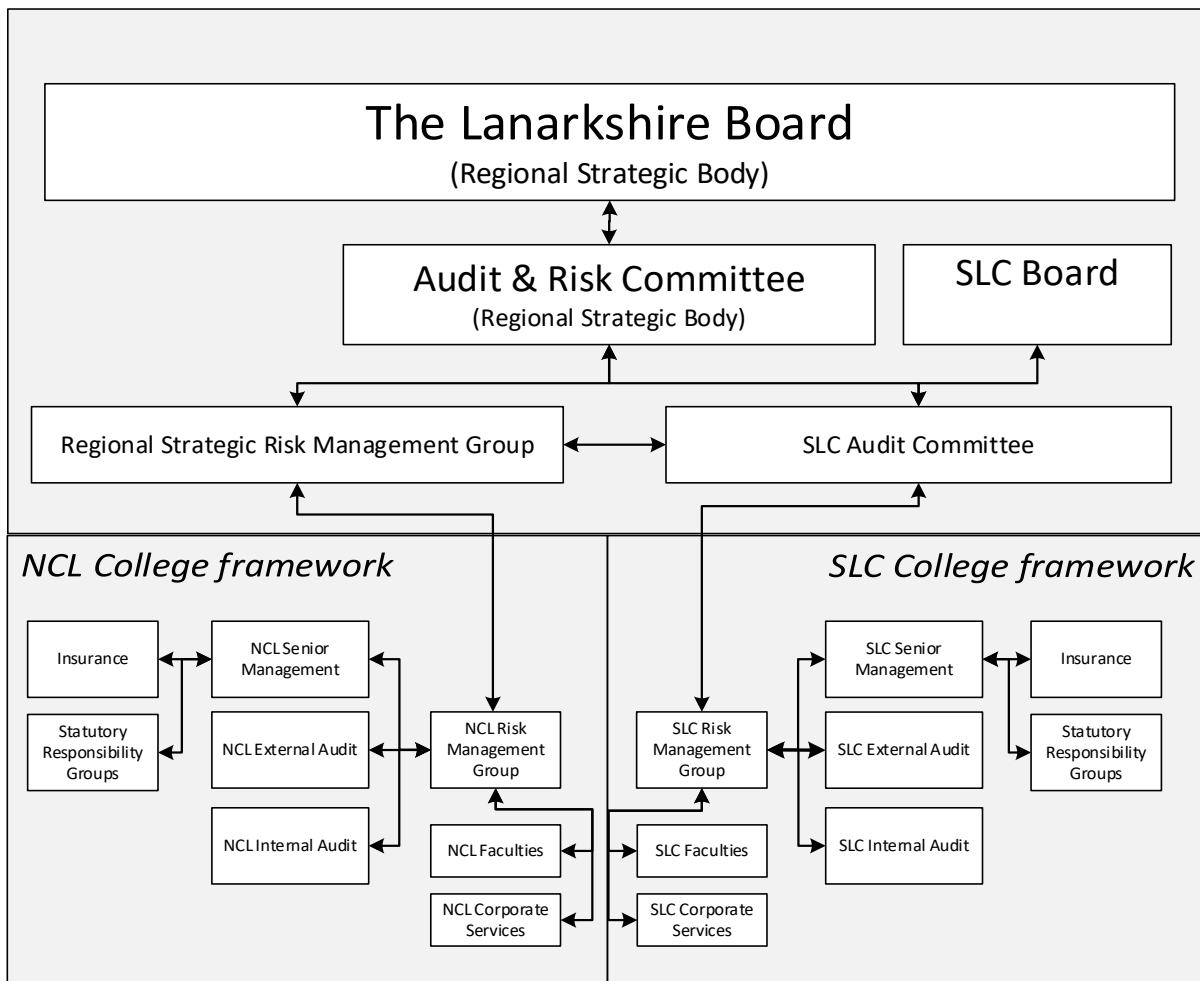
PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Principal Risks Affecting the Region

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

Regional Risk Management Organisational and Reporting Structure:



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

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

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Regional Risk Management Organisational and Reporting Structure: (Continued)

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

Finance:

- *Unable to maintain operating budget while delivering high quality, relevant and responsive education.*
- *Inability to secure appropriate levels of funding to respond to operational and strategic priorities.*
- *Failure to manage budgets, processes and controls appropriately. ***

Change:

- *Inability to maintain quality standards.*

Learner Experience:

- *Failure to maintain and improve learner retention and achievement.*

*** reduced below High post year-end.*

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Chief Officer’s Statement on Performance

As a publicly funded body we are committed to meeting national priorities and responding to the needs of employers, industry and stakeholders. We aspire to support the four priorities for sustainable growth identified within the Scottish Government’s Economic Strategy; Investment, Innovation, Internationalisation and Inclusive growth.

The Colleges’ performance can best be summarised primarily in terms of the volume of learner activity provided; the proportion of those learners completing their programme of study; the proportion of those learners achieving a successful outcome; the quality of the learning and teaching provided; the financial performance in support of delivery; and the performance of our Human Resources in delivery.

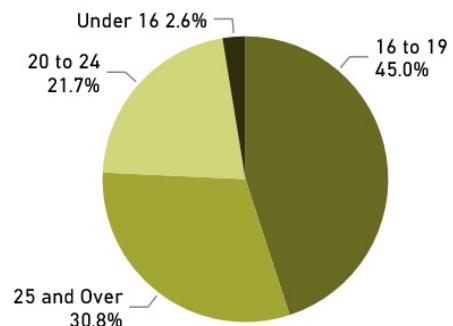
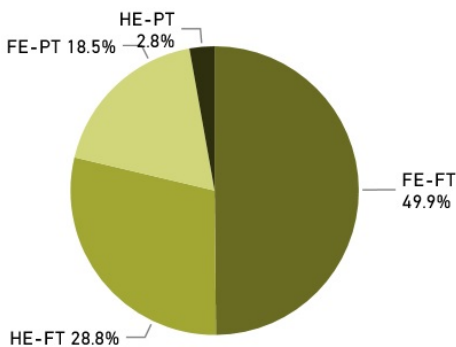
For the year ended 31st July 2019, the regional body has delivered positively against its key metrics through meeting its funded credit target, improving its financial position to maintain an underlying operating surplus and by continuing to improve outcomes for learners across Lanarkshire.

In addition, many examples of excellent learner success have been demonstrated at both national and international level through winning competitions and awards. This has all been achieved in an environment of tight financial constraints and by delivering to a cohort of students drawn from areas of higher deprivation than the Scottish average.

Learning and Teaching Performance

In respect of the volume of learner activity provided, the Colleges achieved their SFC core funded target by delivering 127,552 Credits by NCL and 44,408 Credits by SLC, totalling 171,960 SFC funding Credits (the SFC’s unit of measure for learner activity) which was 414 SFC funding Credits over the target of 171,546. They also delivered an additional 6,263 ESF Credits by NCL and 5,906 ESF Credits by SLC, totalling 12,169 ESF - SFC funding Credits against a target of 12,169. The Colleges provided places for 12,275 Full-time Equivalent (FTE) learners.

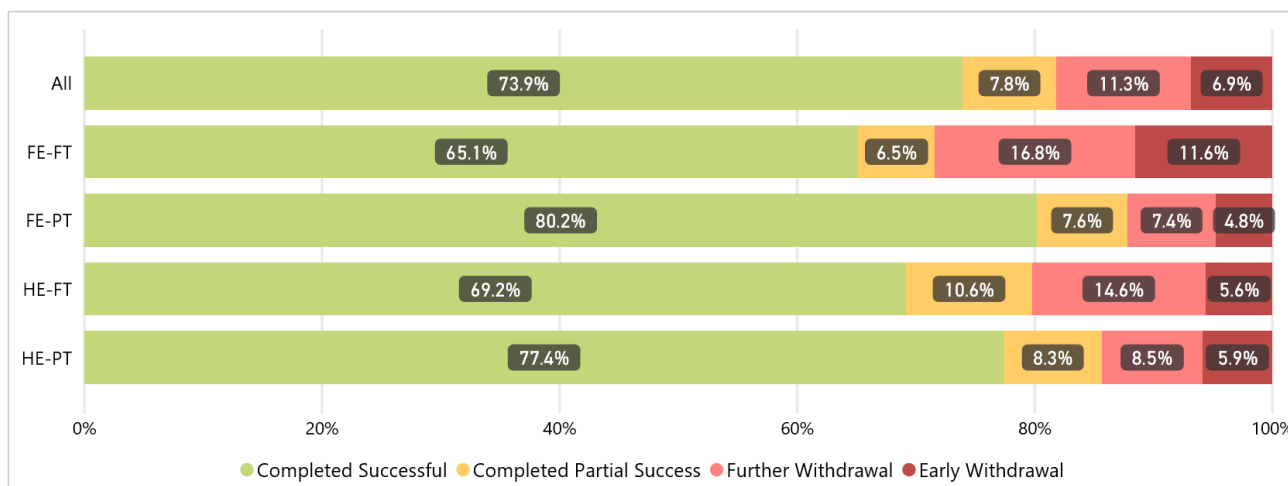
12,275 FTE Learner Places



Performance Analysis (Continued)

Learning and Teaching Performance (Continued)

Lanarkshire Region Key Performance Indicators



81.7% of all learners complete their programme of study with 73.9% of all learners achieving their programme aim. FEFT, being the largest proportion of our provision, sees 71.6% of learners complete their programme of study with 65.1% of learners achieving their programme aim. A slow but steady improvement in employment, and in particular, youth employment opportunities has seen more learners leave their programmes of study to take up newly available employment opportunities. This is clearly a positive outcome for the individual, the Colleges and the local and national economy. However, this impacts negatively on the Lanarkshire regional successful completion rates. Frameworks and strategies continue to embed themselves, supported by a consistent vision and shared culture and determination to deliver an improvement in performance for the future. (Tabulated and charted figures above are subject to rounding).

“How Good Is Our College?” (HGIOC) is the new quality framework published by Education Scotland in December 2016, which replaced the previous arrangements that reviewed Colleges as part of a four-year cycle of external review, with the second report being published in February 2019. SFC and Education Scotland formally endorsed the Colleges’ evaluative reports and enhancement plans. Ongoing dialogue, visits and observations since the publication of the report and plan has been maintained with Education Scotland as identified within the enhancement plan to ensure effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders.

Independent evaluation by Education Scotland, as well as various awarding bodies, of both Colleges clearly supports the view of organisations that have high quality learning and teaching at their heart. This is maintained and enhanced by the large number of partnerships, including a number of Universities, including international Universities, our three local authorities, small, medium and large organisations, such as the NHS and Energy Skills Partnership, through local and national companies, and through charitable bodies.

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Learning and Teaching Performance (Continued)

A large number of students from various subject areas take part in Erasmus projects, giving work placements in European destinations to enhance their skills and knowledge. More activity has been undertaken with schools, supporting the “Developing the Young Workforce” programme, including a wider range of vocational subjects and levels. Partnership feedback is crucial to the success of these programmes. Using site visits, industry competitions, product demonstrations and visiting guest speakers has ensured that vocational programmes result in skilled and knowledgeable students who are ready to progress into the workplace.

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

Delivery Performance

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

The Colleges’ performance with respect to delivery is primarily analysed through the following indicators: The volume of learner activity provided; the proportion of those learners completing their programme of study; the proportion of those learners achieving a successful outcome; and the quality of the learning and teaching provided. For a fuller analysis we look at these parameters in a wider context. Nationally the SFC’s 19 current outcome agreement national measures; institutionally through the four priority KPIs within the SFC’s outcome agreement national measures. (Full definitions are available in the SFC’s guidance – Annex B http://www.sfc.ac.uk/web/FILES/guidance_sfcgd202019/SFCGD202019_Annex_B_technical_guidance.pdf and independently through Education Scotland and the SFC’s independent review and endorsement.

Four priority KPIs published by the SFC –

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

Education Scotland’s HGIOC framework is actioned in partnership with HM Inspectors of Education and seeks to endorse each College’s evaluative report on behalf of and in partnership with the Scottish Funding Council. This provides independent endorsement of the evaluation of –

- overall performance;
- learner progress and outcomes;
- learning and teaching processes;
- learner engagement; and
- leadership, quality and culture.

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Key Priority National Measures – Analysis

SFC funded Credits delivered in AY 2018/2019;

The Colleges achieved their SFC core funded target by delivering 171,960 SFC funding Credits (the SFC's unit of measure for learner activity), 414 SFC funding Credits over the target of 171,546. They also delivered an additional 12,169 ESF - SFC funding Credits against a target of 12,169. The Colleges provided places for 12,275 Full-Time Equivalent learners.

Source: SFC's Further Education Statistics (FES)

Volume and proportion of the SFC funded Credits delivered to learners in the most deprived 10% postcode areas (SIMD 10) in AY 2018/2019;

Figures based on National Records of Scotland (NRS) 2018 mid-year estimates show the proportion of population from the 10% most deprived postcode areas (SIMD 10) to be 13.4% for North Lanarkshire and 10.0% for South Lanarkshire.

The Lanarkshire Colleges delivered 18.9% in AY 2016/2017; 18.3% in AY 2017/2018 and 18.3% in AY 2018/2019; of all the SFC funded learner activity to learners from the 10% most deprived postcode areas in Lanarkshire. For AY 2018/2019, NCL delivered 18.7% and SLC delivered 17.1% of activity to learners from the SIMD 10 postcode areas.

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

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

Proportion of enrolled students successfully achieving a recognised qualification in AY 2018/2019;

73.9% of all Regional Learners achieved a recognised qualification in AY 2018/2019.

In Scotland as a whole the proportion of Further Education Full-Time (FEFT) learners successfully achieving a recognised qualification over the last six years has seen an increase from 65.5% to 66.1%. The proportion of Higher Education Full-Time (HEFT) learners successfully achieving a recognised qualification over the last six years has increased from 70.4% to 71.3%.

For AY 2018/2019 the combined Lanarkshire regional proportion of FEFT success is 65.1% and for HEFT 69.2%. This combined performance is marginally below these broad parameters however we are determined to significantly improve these figures.

Performance Analysis (Continued)

Proportion of enrolled students successfully achieving a recognised qualification in AY 2018/2019; (Continued)

Factors including high numbers of early withdrawals, which result in lower achievement statistics, have been significantly influenced by the continued development of ever more flexible learner pathways; (more flexibility provides more choice, more options and thus more movement of learners); improved employment opportunities, particularly for young learners, which result in more learners leaving to take up employment; and an open and flexible application and enrolment process that can result in movement of learners between Colleges or into employment/training. Although, in context, these are all socially and economically positive, they conspire to present a negative statistic or indicator for the Colleges. This is why the indicators relating to successfully achieving a recognised qualification must be considered in parallel with figures representing other successful outcomes such as the number and proportion of full-time College qualifiers in work, training and/or further study 3-6 months after qualifying.

Lanarkshire’s Colleges are committed to making changes to ensure they optimise positive outcomes and the drive towards improving both retention and achievement are high priority strategic objectives which percolate through all operational, business and action planning for AY 2019/2020 and beyond.

Source: SFC’s Further Education Statistics (FES)

The number and proportion of successful learners who have achieved HNC or HND qualifications articulating to degree level courses with advanced standing in AY 2017/2018 (Most current data available as of October 2019);

Lanarkshire Colleges have supported an increasing number of learners who have achieved HNC or HND qualifications articulating to degree level courses with advanced standing from 292 learners in AY 2016/2017 to 330 learners In AY 2017/2018 equating to a 13.0% increase on the previous year. Proportionately this is clearly a very positive and a significant contribution to this Scottish Government aspiration. Again, this is a very positive reflection of the Colleges’ investment in supporting and delivering on the Scottish Government’s advanced standing articulation ambitions.

Source: SFC’s National Articulation Database. Statistics for AY 2018/19 were unavailable at the time of publication.

The number and proportion of full-time College qualifiers in work, training and/or further study 3-6 months after qualifying: Source: Scottish Funding Council’s College Leaver Destinations 2017/2018

College positive/negative Split for Confirmed Destinations				
	Counts		Percentage	
	Positive v. Negative: confirmed destinations by Region		Positive v. Negative: confirmed destinations	
	Positive	Negative	Positive	Negative
Lanarkshire Region	5,206	317	94.3%	5.7%
National	43,407	2,113	95.4%	4.6%

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

As discussed earlier under *Proportion of enrolled students successfully achieving a recognised qualification in AY 2018/2019*, this destination data must be considered in parallel to gain appropriate understanding of performance against Scottish Government outcomes and ambition.

94.3% of learners who leave Lanarkshire’s Colleges with their chosen qualification move on to further study or employment. This is marginally below the national average by 1.1%. This confirms that the teaching and learning in our Colleges contributes significantly to the success of individuals and the economy.

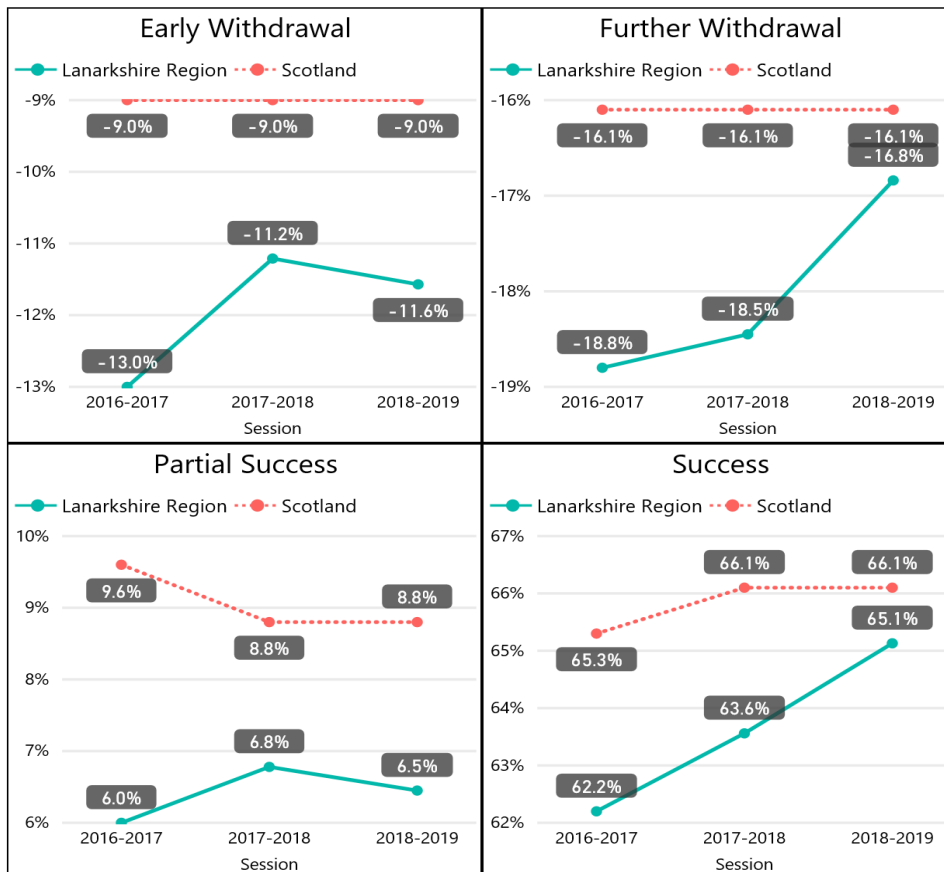
SFC’s Four Priority College Key Performance Indicators - Analysis

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

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

FEFT performance shows a positive trend. Success rates continue to improve for the third year running, reaching 65.1% for 2018/2019 which is an increase of 1.5% on the previous year. Early withdrawal rates decline by 0.4%, however further withdrawal rates compensate by improving 1.7%. The Lanarkshire Colleges have set out strategies and frameworks to prioritise improving FEFT performance, which are clearly delivering a positive change and reducing the gap towards the Scottish national average for success rates.

FE Full-Time Performance



PERFORMANCE REPORT (Continued)

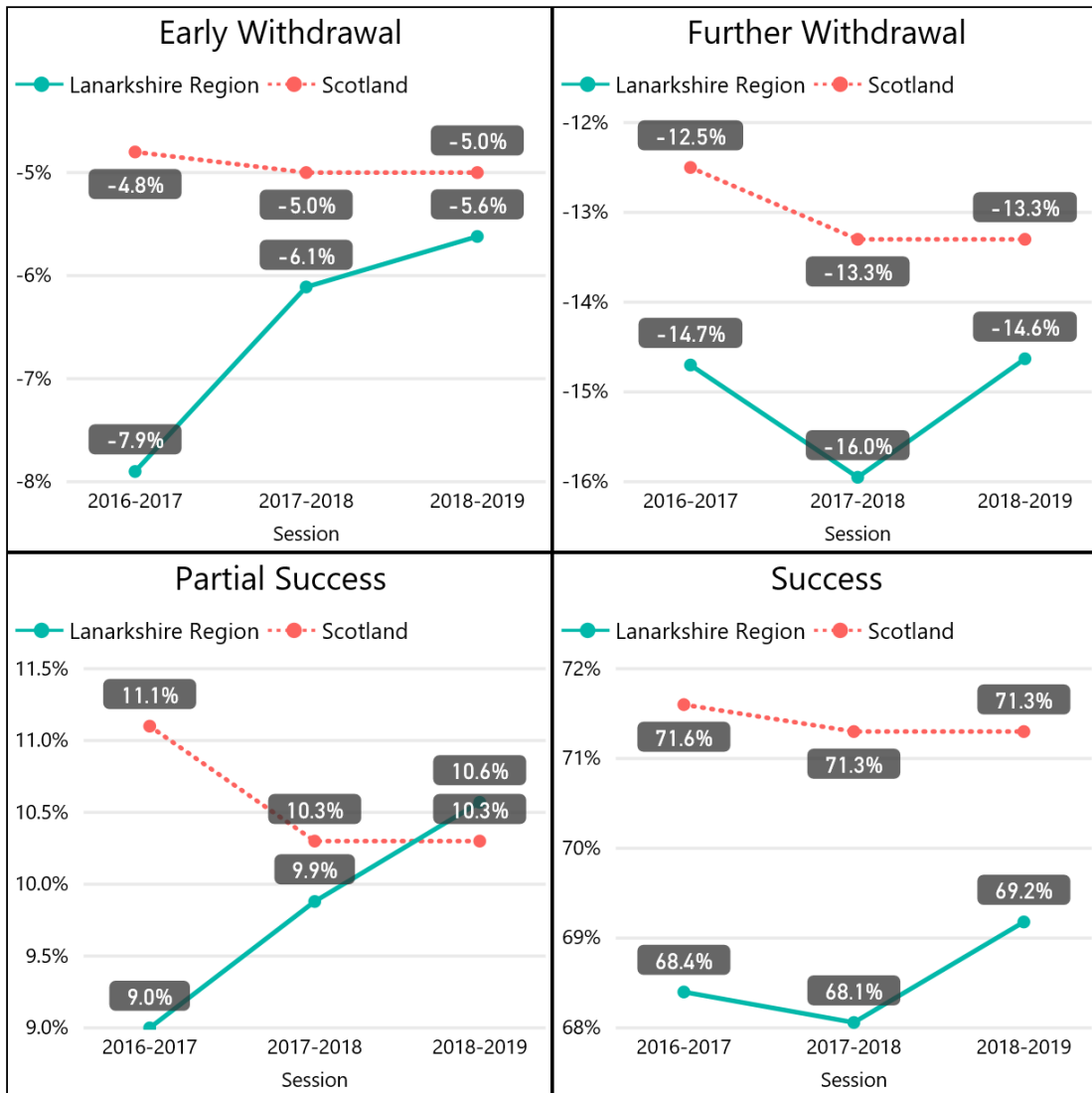
Performance Analysis (Continued)

Delivery Performance (Continued)

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

HEFT shows an improvement in performance for 2018/2019, reaching its highest level in three years. Success rates have increased to 69.2% in 2018/2019, up by 1.1% on the previous year, reducing the gap between the national average of 71.3%. Early withdrawal rates are at their lowest in three years, improving by 0.5%. Further withdrawal rates are at their lowest in three years, improving by 0.5%. Frameworks and strategies are in place to target learner withdrawal and achievement, which aim to further improve performance.

HE Full-Time Performance



PERFORMANCE REPORT (Continued)

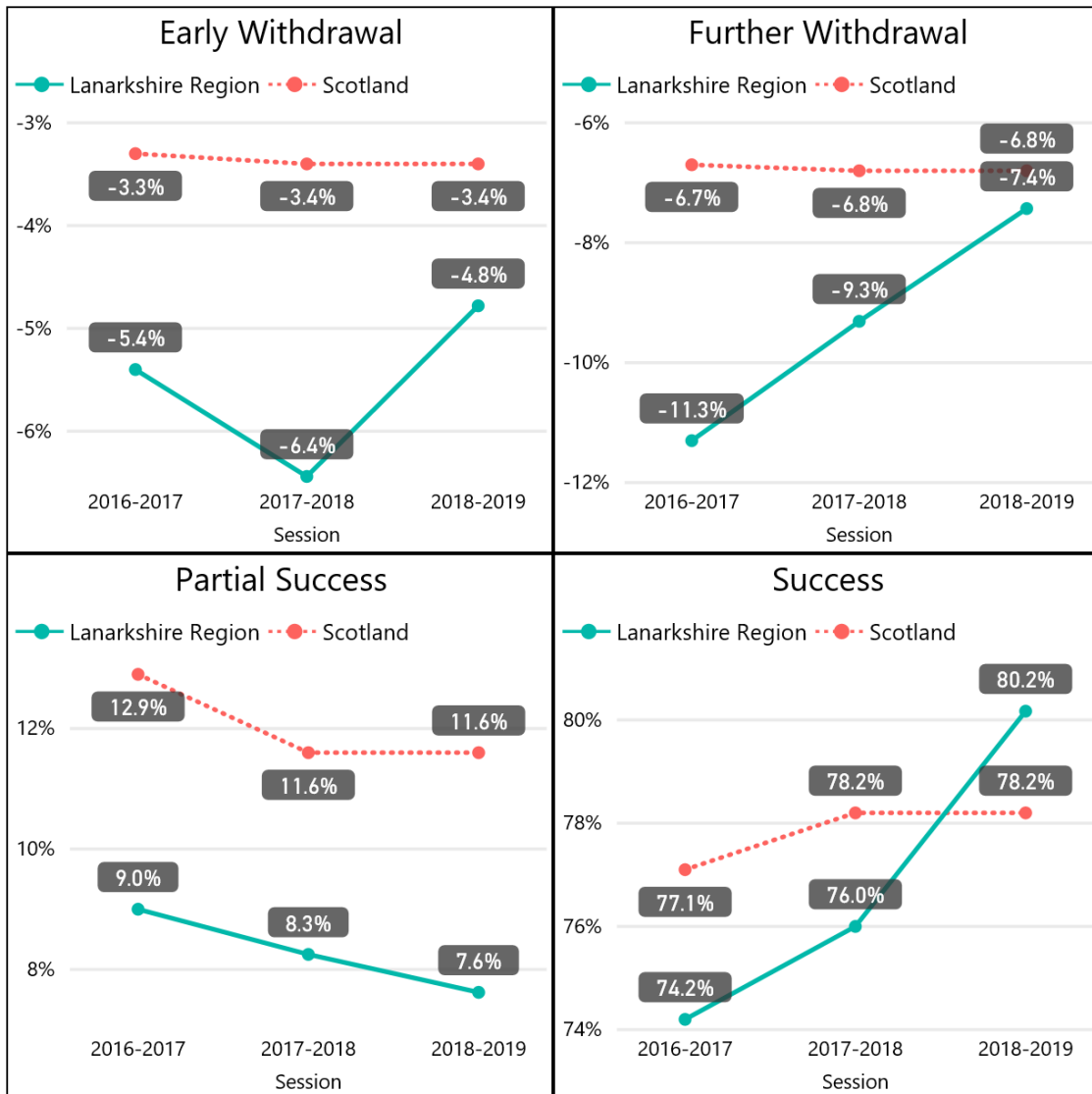
Performance Analysis (Continued)

Delivery Performance (Continued)

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

FEPT performance shows a positive trend. Success rates are at the highest levels in three years, reaching 80.2% and higher than the Scottish national average. Early withdrawal rates have decreased by 1.6%, along with further withdrawal rates reducing by 1.9%. Improving FE performance was specifically targeted in session 2017/2018 and the initiatives such as the Mentorship Programme, Transition to College and dedicated tutorials have continued into session 2018/2019, delivering a marked improvement in performance.

FE Part-time Performance



PERFORMANCE REPORT (Continued)

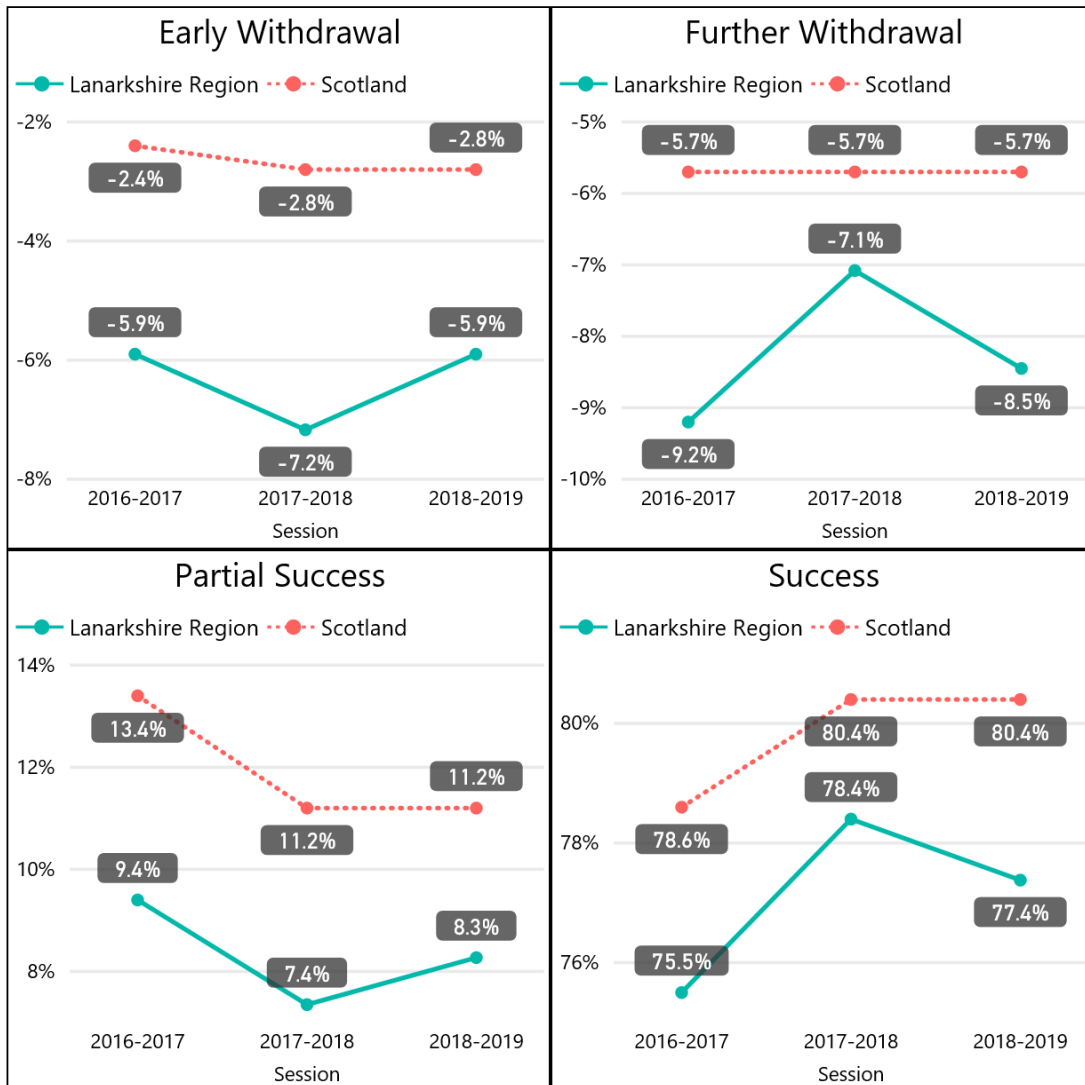
Performance Analysis (Continued)

Delivery Performance (Continued)

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

HEPT performance shows a negative trend. Early withdrawal rates have improved in 2018/2019 by 1.3%, however further withdrawal rates have increased by 1.4%. Partial success increased by 0.9%. The change in performance resulted in a modest decrease in success rates of 1%. It should be recognised that HEPT represents only 2.8% of all learner activity and as such is vulnerable to larger proportionate swings in performance.

HE Part-time Performance



PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Delivery Performance (Continued)

Education Scotland's endorsement of College evaluation by HM Inspectors of Education on behalf of the Scottish Funding Council - Analysis

Review process

Until 2016 HM Inspectors of Education undertook an independent review of the quality of provision in Scotland's Colleges on behalf of the Scottish Further and Higher Education Funding Council (SFC) under a service level agreement between the Council and Education Scotland. External review teams included HM Inspectors, Associate Assessors and a student team member. Both Colleges were part of separate external reviews by Education Scotland during this period and were found to have effective arrangements to maintain and enhance the quality of their provision and outcomes for learners and other stakeholders. These judgments meant that, in relation to quality assurance and enhancement, the Colleges were well led, had sufficiently robust arrangements to address any identified minor weaknesses, and were likely to continue to improve the quality of their services for learners and other stakeholders.

This process has now been replaced with a new evaluation framework known as "How Good is Our College" (HGIOC) which is *"designed to support and enable Colleges to evaluate the quality of provision and services alongside reporting on progress in relation to outcome agreements. The framework aligns with a suite of Education Scotland quality improvement frameworks to support external stakeholders to engage with Colleges to review and enhance the quality of provision and services."* How Good Is Our College First Edition, Education Scotland, 2016.

Both Lanarkshire Colleges have now engaged in this framework reflecting on our performance across AY 2018/2019. Each College completed the evaluation process and have been endorsed by both Education Scotland and the Scottish Funding Council. A short life working group has been established to help shape and inform the 2019/2020 Evaluative Report and Enhancement Plan (EREP) reporting arrangements and this will direct how the Colleges proceed.

Regarding the 19 SFC Regional Outcome Agreement (ROA) National Measures:

- Within the Lanarkshire region, SFC funded Credits and SFC/ESF match funded credits were fully delivered to target;
- The proportion of the SFC funded Credits delivered to learners in the most deprived 10% postcode areas (SIMD 10) remains above the levels identified within the National Records of Scotland (NRS) 2018 mid-year estimates;
- The number and proportion of senior phase pupils studying vocational qualifications has increased;
- The proportion of enrolled students successfully achieving a recognised qualification has increased;
- The number and proportion of successful learners who have achieved HNC or HND qualifications articulating to degree level courses with advanced standing has continued to improve;
- The number of starts for contracted apprenticeships has significantly increased and exceeded target;
- The percentage of students overall, satisfied with their College experience has increased.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Delivery Performance (Continued)

Review Process (Continued)

The four priority KPIs published by the SFC involving outcomes for FE and HE, part-time and full-time activity shows that the strategies and frameworks to improve performance have been successful. It emphasises our need to continue to improve some areas of delivery, particularly in the area of programme successful completion rates against the national average.

Human Resources Performance

During the year, the Colleges undertook various initiatives to ensure that staff have the skills and flexibility required to meet changing demands. Additionally, the Colleges continued to promote positive staff/management relations through a partnership approach.

The Colleges continued to ensure that sufficient resource was allocated to staff development for both academic and support areas. Throughout the period of these Financial Statements, College staff undertook a range of internal, external, professional and academic staff development activities to ensure that our staff group continue to have the up-to-date skills, knowledge and experience to deliver a positive learner experience across a broad range of curriculum and support functions. In addition, Workforce Planning remains an integral part of the HR strategic focus with recognition given to Audit Scotland commentary around "Scotland's Public Sector Workforce".

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

Financial Performance

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

In the year to 31st July 2019, Amcol Scotland Limited made a deficit of £93k before other gains and losses on a turnover of £2,522k net of intercompany transactions. Amcol's underlying operating deficit was £51k (2017/2018 £115k surplus). South Lanarkshire College made a surplus of £219k before other gains and losses on a turnover of £17,789k net of intercompany transactions. South Lanarkshire College's underlying operating surplus was £1,170k (2017/2018 £639k).

In the year to 31st July 2019, the Regional Strategic Body generated an underlying operating surplus of £1,494k, 2% of Total Expenditure (2017/2018 – surplus of £1,170k, 1.6% of Total Expenditure), as detailed overleaf.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

PERFORMANCE REPORT (Continued)

Financial Performance (Continued)

Underlying Operating Position

	Region	College	Region	College
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
(Deficit) before other gains and losses	(625)	(762)	(2,401)	(2,498)
Add back:				
- Depreciation (net of deferred capital grant release)	1,401	1,126	1,126	867
- Impairment of Assets on Revaluation	-	-	323	323
- Pension Adjustment – FRS102 Staff Cost Adjustment	3,076	2,435	1,916	1,509
- Pension Adjustment – Net Interest Cost	178	131	481	401
- Non-cash early retirement adjustments	64	45	(189)	(186)
Deduct:				
- Non-Government capital grants	-	-	-	-
- Revenue funding allocated to loan repayments (from Cash Budget for Priorities)	-	-	(86)	-
- Exceptional re-structuring cost - Strategic Grant	(2,600)	(2,600)	-	-
Underlying operating surplus (deficit)	1,494	375	1,170	416
% of Total Expenditure	2.0%	0.7%	1.6%	0.8%

2018 restated in agreement with the Scottish Funding Council

Review of Regional Cash Budget for Priorities Spend for year ended 31st March 2019

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

For the Financial Year 2018/2019, this meant that the Regional Strategic Body received cash of £1,060k (2017/2018 £1,060k) which had been earmarked against net depreciation. From this cash, £0k (2017/2018 £86k) was used to repay HMRC under the Lennartz VAT scheme with the balance of £1,060k (2017/2018 £974k) impacting on the Consolidated Statement of Comprehensive Income and Expenditure. Without approval to spend this cash it would have been effectively frozen. The Scottish Funding Council issued guidance to the sector on this matter on 30th January 2015 (SFC/AN/03/2015), and subsequently, which provides approval for that cash to be applied to student support, loan repayments, elements of National Bargaining and other pay increases, and to deliver improved services to learners.

Financial Performance (Continued)

Review of Regional Cash Budget for Priorities Spend for year ended 31st March 2019 (Continued)

The impact of the above has contributed £1,060k as a cost before other gains and losses for the 2018/2019 accounting year (2017/2018 £974k). However the Scottish Funding Council has confirmed (in its letter to the sector on 30th March 2015) that a deficit resulting from a College following its 30th January 2015 guidance should be treated as a “technical” deficit and should not be interpreted, on its own, as a challenge to a College’s ongoing financial sustainability. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for Cash Budget for Priorities depreciation does not constitute an underlying financial sustainability concern. The impact on the operating position is detailed below.

	<u>2019</u>	<u>2018</u>
	£'000	£'000
<u>Revenue</u>		
Student support	-	-
Pay award	401	401
Other elements of pay award and increase in pension contributions	-	-
Estates costs	659	573
Total impact on RDEL operating position	<u>1,060</u>	<u>974</u>
<u>Capital</u>		
Loan Repayments – Lennartz Repayment	-	<u>86</u>
Total Cash Budget for Priorities spend	<u>1,060</u>	<u>1,060</u>

Other Matters

Amcol Scotland Limited, a company limited by shares and a Scottish Registered Charity, N^o SC039758, was transferred to Motherwell College on 31st December 2008. The shares were subsequently transferred to New College Lanarkshire upon legal formation. The results of the company for the 12 months to 31st July 2019 have been incorporated in the Regional Financial Statements.

Consolidated Income for the year was £75,455k, 22.4% of which was non SFC Income (2017/2018 £70,158k, 23.9%). The Regional Strategic Body has accumulated consolidated reserves of £31,341k (2017/2018: £39,448k) and net cash balances/loans/overdrafts of £7,477k (2017/2018: £5k). Excluding the loan £646k, which is fully guaranteed by the Scottish Funding Council, the net cash balance is £8,123k (2017/2018: £1,619k).

Regional Financial Performance Indicators

	2019	2018
Current Assets : Current Liabilities	0.9:1	0.5:1
Days Cash	44	9

These indicators reflect stability in our ongoing financial position. The increase in cash is principally due to holding SFC funds for capital works under the Very High Priority Maintenance allocations.

PERFORMANCE REPORT (Continued)

Financial Performance (Continued)

Going Concern Statement

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

Payment Practice Code

The RSB complies with the CBI Prompt Payment Code and has a policy of paying suppliers by the end of the month following the date of invoice or supply, unless the invoice is disputed. It is also RSB policy to resolve disputes and complaints as quickly as possible. The level of creditors in terms of the proportion of the period end creditors to the aggregated invoiced amounts during the period was 10 days (2017/2018: 14 days). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Environmental Sustainability

New College Lanarkshire (NCL) commits to being a sector leader in addressing environmental and social sustainability challenges, as we recognise we have a significant role to play in supporting the Government's Greener Scotland strategic objectives. We are acknowledged by the Scottish Government via The Climate Change (Scotland) Act 2009 as a 'Major Player', in being one who has a "larger influence or impact" on climate change than others and therefore can deliver emission reductions and adaptation as owners and operators of a large and complex estate. As such we commit to fulfilling all relevant obligations under this Act.

In accordance with the Climate Change (Scotland) Act 2009, we report annually to the Sustainable Scotland Network of which we are a member, on our compliance with Climate Change duties. We also adhere to environmental requirements in areas such as procurement, business travel and building management, and recognise the importance of consistent environmental reporting across public sector bodies.

Through the NCL Estates Strategy, we commit to prioritise capital investment in environments that are proven to be economically viable and sustainable in their construction, operation and in the delivery of the curriculum.

NCL provides a commitment to demonstrate continued leadership in addressing environmental and social sustainability challenges. The College looks to implement a robust Carbon Management Plan that sets NCL's sustainable ambitions and targets to address the environmental impact of our activities through planned sustainable practices, and which commits NCL to completing and supporting both the 'Required' and 'Wider Influence' sections of the Public Bodies Climate Change Duties (PBCCD) Reporting tool.

Environmental Sustainability (Continued)

The South Lanarkshire College (SLC) Estates Strategy is intended to complement the overall strategic and operational plans. A synopsis of the Strategy would be:

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

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

The College's low-energy, low-carbon building is performing better than initial modelling suggested and in the two full years of operation has had no negative impact on the overall carbon emissions from the SLC campus.

The Lanarkshire Regional Strategy (2018-2023) states that the Region will "strive to provide a fit for purpose, environmentally sustainable built environment". The Colleges are working together on this.

Keith Fulton,
Interim Chair of the Lanarkshire Board,
(to 10th August 2019),
17th December 2019

Martin McGuire,
Principal and Chief Executive,
(to 6th September 2019),
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.
17th December 2019

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

ACCOUNTABILITY REPORT

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

Corporate Governance Report

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

Board of Management Report – The Lanarkshire Board

This report covers the year from the 1st August 2018 to 31st July 2019 and also includes any developments in the period up to the signing of the financial statements on the 16th December 2019.

Historical Background

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

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

Open recruitment for two members of the Lanarkshire Board to take the membership up to its full number of 22 started in September 2016. Following a further resignation from the Board in December 2016, three appointments were made, following ministerial approval, on the 31st January 2017.

Changes in 2018/2019

The Chair: Linda McTavish was appointed by Scottish Ministers as the Regional Lead and became the Chair of the Lanarkshire Board for a four year tenure when it came into being on the 1st October 2014. The Scottish Government reappointed her for a further period of two years from the 1st October 2018 to 30th September 2020. The Chair took a leave of absence from the 10th September 2018 for a period of up to six months. Keith Fulton, the Senior Independent Member, took the role of Interim Chair of the Lanarkshire Board for that period. This was confirmed by letter on the 28th September 2018 from the Director of the Advanced Learning and Science Directorate at the Scottish Government.

Changes in 2018/2019 (Continued)

Linda McTavish subsequently resigned as the Chair of the Lanarkshire Board on the 8th March 2019 and there was an extension from the Scottish Government to Keith Fulton's role as the Interim Chair to the 10th August 2019. Ronnie Smith was appointed by Scottish Ministers through the public appointments process and was appointed as the Chair from 11th August 2019 to 10th August 2023.

The Senior Independent Member (SIM): Keith Fulton was the SIM and, when he became Interim Chair on the 10th September 2018, Rosemary McKenna subsequently took up the role of the SIM, and this was reported to the Board at its meeting on the 1st October 2018. She held this role until her term expired on the 6th August 2019. The Chair's Committee on the 29th October 2019 agreed that Keith Fulton would resume the role of SIM and the Vice Chair of the Board, and that this would be reviewed in due course.

The Principals and Chief Executives of NCL and SLC: The Principal and Chief Executive of NCL and Chief Operating Officer of the Lanarkshire Board (the RSB), Martin McGuire, left his employment on the 6th September 2019. Annette Bruton became the Interim Principal from the 7th September 2019 until the 10th November 2019. Professor Christopher Moore is appointed as the Principal and Chief Executive of NCL and the Chief Operating Officer of the Lanarkshire Board from the 11th November 2019.

Stewart McKillop the Principal and Chief Executive of SLC announced his retirement on the 3rd September 2019. However, he will remain in post until his successor has been appointed and takes over the role of Principal.

Student Elections: Student elections were held in May 2018 and two new Student Presidents were appointed from the 1st July 2018. The Student President at SLC was Claire Paterson and Elizabeth Newlands was the Vice President. Claire Paterson stepped down in February 2019 to take maternity leave and Liz Newlands became the SLC Student President. At NCL the elected Student President was unable to take up the post. One of the three elected Vice Presidents, Marisa Rose, was nominated to attend the Board Meetings in 2018/2019. Student elections were held in May 2019 and Calum Smith was elected as the Student President at NCL and Liz Newlands was elected as the Student President at SLC with appointments coming into effect from the 1st July 2019.

Staff Elections: There were two staff elections – one for the teaching staff member for NCL and the other for the support staff member for NCL. Lorraine Cowan was elected as the teaching staff member for four years from the 30th April 2019 and Moira Jarvie was re-elected as the support staff member for four years from the 6th of September 2019.

Board Resignations: There have been five Board resignations in this period in addition to the Chair and the Principals – Jacqueline McGarvey the NCL Staff member (3rd September 2018), Stuart Reid (31st December 2018), Professor Robert Pyper (20th March 2019), Ann Stark (25th March 2019) and Paul O'Donnell (26th March 2019). Rosemary McKenna did not renew her term as Board Member which expired on the 6th August 2019.

Board Appointments: There have been seven Board appointments following ministerial approval in 2019. Dianne Dixon, Yvonne Finlayson and Ryan McRobert were appointed for four years from 13th March 2019 and Paula Blackadder, Michael McGlynn, Barbara Philliben and Alastair Rennie were appointed for four years from 25th October 2019. Three Board Members also had their terms renewed by the Scottish Minister for four years from the 27th August 2019 - Keith Fulton, Kenny Anderson and John Elliott. In addition, the appointments of the new Chair and Principal and Chief Executive and Chief Operating Officer of the RSB are noted above.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

Membership of the Lanarkshire Board

The members of the New College Lanarkshire Board of Management, pursuant to the Further and Higher Education (Scotland) Acts 1992 and 2005, the Post-16 Education (Scotland) Bill 2013 and the Lanarkshire Colleges Order 2014, who served during the period from the 1st August 2018 to 31st July 2019 are set out below. This table also covers changes to the signing of the Financial Statements on the 16th December 2019.

The Board Members of the Lanarkshire Board:

Changes During Reporting Period

<u>Board Member</u>	<u>Designation</u>	<u>Date became Member</u>	<u>Resigned</u>
Ronnie Smith	Chair of the Board by public appointment by Scottish Ministers from 11 th August 2019 to 10 th August 2023	11 th August 2019	
Kenny Anderson	Chair of the Finance Committee	27 th August 2015. Term renewed by Scottish Ministers for four years from 28 th August 2019	
Paula Blackadder	Board Member	25 th October 2019	
Annette Bruton	Interim New College Lanarkshire Principal and Chief Executive. Chief Officer of the Regional Strategic Body	7 th September 2019	Left interim position on the 10 th November 2019.
Jean Carratt	South Lanarkshire College Teaching Staff Member	12 th September 2016	
Lorraine Cowan	NCL Teaching Staff Member	30 th April 2019	
Dianne Dixon	Board Member	13 th March 2019	
John Elliot	Board Member	27 th August 2015. Term renewed by Scottish Ministers for four years from 28 th August 2019	
Yvonne Finlayson	Board member and Chair of the Audit & Risk Committee from 2 nd September 2019.	13 th March 2019	
Keith Fulton	Senior Independent Member of the Board. Interim Chair of the Lanarkshire Board from 10 th September 2018 for a period of up to 6 months and this was then extended to the 10 th August 2019	27 th August 2015. Term renewed by Scottish Ministers for four years from 28 th August 2019	
Rose Harkness	South Lanarkshire College Support Staff Member	12 th September 2016	
Moira Jarvie	New College Lanarkshire Support Staff Member	24 th August 2015. Re-elected for four years in contested election on the 6 th September 2019	
Andy Kerr	Chair of the South Lanarkshire College Board. Appointed to the Board 25 th May 2018	25 th May 2018	
Jacqueline McGarvey	New College Lanarkshire Teaching Staff Member.	24 th August 2015	3 rd September 2018

Board of Management Report (Continued)

The Board Members of the Lanarkshire Board (Continued):

Changes During Reporting Period

<u>Board Member</u>	<u>Designation</u>	<u>Date became Member</u>	<u>Resigned</u>
Michael McGlynn	Board Member	25 th October 2019	
Martin McGuire	New College Lanarkshire Principal and Chief Executive. Chief Officer of the Regional Strategic Body	Continued to the Post Transition Board – September 2016	Left employment on 6 th September 2019.
Rosemary McKenna	Chair of the CSAO Committee – stepped down from the Chair on 13 th November 2017. Senior Independent Member of the Board from 10 th September 2018 until the end of her term.	6 th August 2015	6 th August 2019
Stewart McKillop	South Lanarkshire College Principal	Continued to the Post Transition Board – September 2016. Retirement announced on the 3 rd September 2019	
Ryan McRobert	Board Member	13 th March 2019	
Linda McTavish	Initially Regional Lead and became the Chair of the Lanarkshire Board on the 1 st October 2014 when it came into being. Re-appointed for 2 years by the Scottish Government from 1 st October 2018 – 30 th September 2020	Continued to the Post Transition Board – September 2015	8 th March 2019
Professor Christopher Moore	New College Lanarkshire Principal and Chief Executive. Chief Officer of the Regional Strategic Body	11 th November 2019	
Elizabeth Newlands	South Lanarkshire College Student President	25 th February 2019	
Paul O'Donnell	Board Member	27 th August 2015	26 th March 2019
Matthew O'Hare	Board Member	31 st January 2017	
Claire Paterson	South Lanarkshire College Student President	1 st July 2018	25 th February 2019
Barbara Philliben	Board Member	25 th October 2019	
Professor Robert Pyper	Board Member	31 st January 2017	20 th March 2019
Stuart Reid	Board Member	6 th August 2015	31 st December 2018
Alastair Rennie	Board Member	25 th October 2019	
Marisa Rose	New College Lanarkshire Student Vice President	1 st July 2018	30 th June 2019
Calum Smith	New College Lanarkshire Student President	1 st July 2019	
Ann Stark	Board Member – Chair of the Audit & Risk Committee from 13 th November 2017 meeting until the 2 nd February 2019.	6 th August 2015	25 th March 2019
David Winning	Board Member – Chair of the CSAO Committee from 13 th November 2017	31 st January 2017	

Board of Management Report (Continued)

Attendance at the Lanarkshire Board

There have been seven meetings of the Lanarkshire Board in the period from the 1st August 2018 prior to the Board approval of the accounts on the 16th December 2019 as follows: 10th September 2018, 1st October 2018, 13th December 2018, 25th March 2019, 3rd June 2019, 17th June 2019 and 7th October 2019. The attendance rate of Board Members at these meetings was 85% - one Board Member was affected by injury during this period and another affected by a long term illness.

Lanarkshire Board Committee Structure and Attendance

The Lanarkshire Board has formally constituted committees which have specific terms of reference and act with delegated authority from the Board. SLC are represented at each committee either through membership or being in attendance. SLC decisions from its own Board and Committees are reviewed at the respective equivalent committee. The Board's key committees and members from 1st August 2018 to 16th December 2019 are:

Audit & Risk Committee: Chair Ann Stark (resigned as Chair of the Committee on 2nd February 2019 and from the Board on the 25th March 2019), John Elliot, Jacqueline McGarvey (resigned from the Board 3rd September 2018), Professor Robert Pyper (resigned from the Board on the 20th March 2019), Ryan McRobert, Yvonne Finlayson and Alastair Rennie. Yvonne Finlayson is now the Chair of the Committee and chaired the 2nd September 2019 meeting.

The committee met on the following dates: 3rd September 2018, 3rd December 2018, 25th February 2019, 20th May 2019 and 2nd September 2019. The attendance of the committee members was 80%. There is a further meeting scheduled for the 9th December 2019.

Finance Committee: Chair Kenny Anderson, Stuart Reid (resigned from the Board 31st December 2018), Paul O'Donnell (resigned from the Board 26th March 2019), Matthew O'Hare (joined the committee from the CSAO on the 31st October 2018), Moira Jarvie and Paula Blackadder. Martin McGuire left employment on the 6th September and Annette Bruton became the Interim Principal and a member of this Committee from the 7th September until the 10th November 2019.

The committee met on the following dates: 10th September 2018, 19th November 2018, 4th December 2018, 4th March 2019, 3rd June 2019 and 9th September 2019. The member attendance was 82%. There are further meetings scheduled for the 18th November 2019 and the 9th December 2019.

Curriculum, Student Affairs and Outcomes (CSAO) Committee: Chair David Winning, Jean Carratt, Linda McTavish/Keith Fulton, Martin McGuire, Jacqueline McGarvey (resigned from the Board 3rd September 2018), Stewart McKillop, Matthew O'Hare (left this committee for the Finance Committee 31st October 2018), New College Lanarkshire Vice President David Penman and then Calum Smith and South Lanarkshire College Student President Claire Paterson and then Elizabeth Newlands. Barbara Philliben has joined this Committee.

The committee met on the following dates: 3rd September 2018, 12th November 2018, 25th February 2019, 20th May 2019 and 2nd September 2019. The attendance of committee members was 86%. There is a further meeting scheduled for the 18th November 2019.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

The Board Members of the Lanarkshire Board (Continued):

Resources and General Purposes Committee (RGP): Chair Keith Fulton, Martin McGuire (as per above), Rosemary McKenna, Linda McTavish (leave of absence from the 10th September 2018 and resigned from the Board 8th March 2019) and Michael McGlynn.

The committee met on the following dates: 10th September 2018, 19th November 2018, 4th December 2018, 4th March 2019, 3rd June 2019 and 9th September 2019. The attendance of committee members was 82%. There is a further meeting scheduled for the 18th November 2019.

Remuneration Committee: Chair Kenny Anderson, Keith Fulton, Ann Stark, Rosemary McKenna (SIM) and Dave Winning.

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

A full Register of Interest can be found through <http://www.nclanarkshire.ac.uk/us/board-of-management/meet-the-board/register-of-interests>.

All non-executive positions within the Board are voluntary and unpaid with the exception of the Chair.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

Related Party Transactions

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

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

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

Other than the above, the College had transactions with the following other publicly funded, representative and other non-public bodies in which Board of Management members held official positions during the period to 31st July 2019.

<u>Organisation</u>	<u>Board Member</u>	<u>Position</u>
WoSCoP	Mr S McKillop	Director

The Colleges pay an annual subscription to the West of Scotland Colleges Partnership (WoSCoP) who provide vocational education and training support. The directorship is not remunerated.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

During the year, New College Lanarkshire entered into the following material transactions with the following Board Members, members of the Senior Management Team and other related parties:

South Lanarkshire College

During the year ended 31st July 2019, South Lanarkshire College was charged £57k by New College Lanarkshire covering membership fee recharges and contributions to the costs of the Regional Board. At 31st July 2019 £7k had yet to be invoiced in relation to this recharge. £144k was transferred from NCL to SLC for the delivery of 900 credits.

At 31st July 2019, other than the above, SLC was a net debtor to the value of £7k.

Amcol Scotland Limited

During the year ended 31st July 2019, New College Lanarkshire worked closely with Amcol Scotland Limited in furthering the provision of Further Education in the community. During the year ended 31st July 2019, Amcol Scotland Limited provided the College with goods and services (including the provision of childcare to assist 137 incidents of placement) to a total value of £655k.

Rent and Service Charges payable to the College by Amcol Scotland Limited totalling £186k were paid in respect of the year ended 31st July 2019.

At 31st July 2019, Amcol Scotland Limited was a net debtor to the value of £350.

During the year in question, the following members of the Board of Management and the Senior Management Team were connected being Directors of Amcol Scotland Limited : Moira Jarvie (Support Staff Member of the Board of Management) and Iain Clark (Vice Principal: Resources).

Personal Data Security

There were 2 known incidents of personal data breaches in 2018/2019 (Nil 2017/2018).

Estates Strategy

The NCL Estates Strategy covers the ten year period 2018/2028. Authored in 2018 and reviewed in 2019, the Strategy addresses how NCL's Built Environment will respond to and support NCL's future curriculum development including key influencers such as the SFC National STEM Strategy; the government's planned expansion in early learning and childcare provision, and the enhancement of senior phase pathways such as apprenticeships and vocational programmes. It provides direction in response to the identified backlog and cyclical maintenance requirements as set out in the SFC College Sector Estates Condition Survey and the appropriate actions to be taken to ensure NCL continue to take a leading role in addressing the wider environmental and social sustainability challenges put forward by The Climate Change (Scotland) Act 2009, while also highlighting potential barriers which may hinder or prevent the necessary Built Environment response to the identified influencers. South Lanarkshire College has a separate Estates Strategy, referred to in the Performance Report. The Lanarkshire Regional Strategy (2018-2023) states that the Region will "strive to provide a fit for purpose, environmentally sustainable built environment". The Colleges are working together on this.

Board of Management Report (Continued)

Regional Benefits Summary Statement

The Lanarkshire Board recognises the benefits to be gained from regionalisation. Indeed, examples of what has been achieved already include:-

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

A Regional Collaboration Plan was agreed in principle by the Board at its meeting on the 7th October 2019 and the plan sets out examples of existing shared good practice include the following.

- Health and Safety Procedures
- Student Associations' Engagement
- FED online Tool – data sharing
- Two way sharing of IT Systems and approaches
- Internal verification approaches
- HR Networking meetings
- Student recruitment collaboration with regard to the Application and Acceptance Policy
- Credits and other transfers as appropriate
- Mutual exchange of financial information
- Regular joint Senior Finance staff meetings
- Joint approach on Government Banking and BREXIT arrangements
- Joint working towards each Colleges BSL Action Plan
- Curriculum progression routes in Hospitality and Sport
- Joint submission ESF Skills template to SFC

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

Progress on the implementation of the plan will be reported to the Board and its committees.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

Disclosure of information to auditors

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

The Lanarkshire Board determine that given the guidance there is no need to prepare a Parliamentary Accountability Report.

Keith Fulton,
Interim Chair of the Lanarkshire Board,
(to 10th August 2019),
17th December 2019

Martin McGuire,
Principal and Chief Executive,
(to 6th September 2019),
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.
17th December 2019

Statement of the Board of Management's Responsibilities

In accordance with the Further and Higher Education (Scotland) Acts 1992 and 2005, a Board of Management is responsible for the administration and management of an organisation's affairs, including ensuring an effective system of internal control, and is required to present audited Financial Statements for each financial year.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the organisation and enable it to ensure that the Financial Statements are prepared in accordance with the Further and Higher Education (Scotland) Acts 1992 and 2005, the 2014 Statement of Recommended Practice and 2015 Guidance Note: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and a Board of Management, the Board of Management, through its designated office holder, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs and of the surplus or deficit and cash flows for that year.

In preparing these Consolidated Regional Financial Statements, the Board of Management has ensured that:

- Suitable accounting policies have been selected and applied consistently;
- Judgements and estimates have been made that are reasonable and prudent;
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Financial Statements have been prepared on the going concern basis unless it is inappropriate to presume that the organisation will continue in operation. The Board of Management is satisfied that it has adequate resources and funding support to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of Financial Statements.

The Board of Management has taken reasonable steps to:

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

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

- Clear definitions of the responsibilities of, and the authority delegated to, the Board of Management and the executive;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income and expenditure, capital and cash flow budgets;
- Regular reviews of key performance indicators and business risks, and reviews of financial results involving variance reporting and updates of forecast outturns;

Statement of the Board of Management's Responsibilities (Continued)

- Clearly defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to detailed appraisal and review according to approval levels;
- Comprehensive Financial Regulations, detailing financial controls and procedures; and
- Professional Internal Audit Services whose annual programmes are approved by the Audit & Risk Committee and who provide the Audit & Risk Committee with a report on the internal audit activity within the organisation and an opinion on the adequacy and effectiveness of the system of internal control, including financial control.

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

Statement of Corporate Governance and Internal Control

The Region is committed to exhibiting best practice in all areas of corporate governance and internal control. This summary describes the manner in which the organisation has applied the principles in The UK Corporate Governance Code, issued by the Financial Reporting Council in June 2010, The Turnbull Committee (Turnbull Guidance) and The Revised Code of Good Governance for Scotland's Colleges 2016. Its purpose is to help the readers of the Financial Statements understand how the principles have been applied.

On 1st October 2014, the Lanarkshire Colleges Order 2014 designated the Board of Management of New College Lanarkshire as a Regional College; made the College a Regional Strategic Body; and assigned the Board of Management of South Lanarkshire College to the College. The Board was transitional until the appointment of non-executive Board Members by open appointment which was completed in August 2015. The constitution of New College Lanarkshire is altered to reflect its new role as a Regional Strategic Body. The New College Lanarkshire Board membership is increased so that the Chair, Principal, two staff members and one student member of the Board of South Lanarkshire College are also members of the Board of Management of New College Lanarkshire. There are also amendments to the provisions regarding qualifications, tenure of office and resignation of the additional members of the Board of New College Lanarkshire.

It is the duty of a Regional Strategic Body to exercise its functions with a view to securing the coherent provision of a high quality of fundable further and higher education in the localities of its Colleges. In doing so, the Regional Strategic Body must have regard to any fundable further education and fundable higher education provided by any other post-16 education bodies in the localities of its Colleges. Inter alia, the Board must monitor the performance of its Colleges in accordance with the Further and Higher Education Scotland Act 2005. The Board may give such directions to its Colleges, or to any of them, as it considers appropriate, in accordance with the 2005 Act.

In the opinion of the Board of Management, the RSB complies with all of the provisions of The UK Corporate Governance Code and The Turnbull Guidance in so far as they apply to the further education sector, and it has complied throughout the period ended 31st July 2019. It is also the opinion of the Board of Management that the College and the RSB comply with The Revised Code of Good Governance for Scotland's Colleges 2016, and it has complied throughout the period ended 31st July 2019. Further, the Financial Memorandum with the Scottish Funding Council also requires compliance with the Scottish Public Finance Manual (SPFM) and the governance guidance therein. In the opinion of the Board of Management, the SPFM has also been complied with for the period ended 31st July 2019. The Internal Audit Report on Corporate Governance presented to the Audit & Risk Committee on the 20th May 2019 was "strong", being the highest rating.

Statement of Corporate Governance and Internal Control (Continued)

A College's Board of Management is responsible for the organisation's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the significant risks that have been in place for the period covered by the Financial Statements and up to the date of the approval of the Financial Statements. This process is regularly reviewed by the Board of Management. In respect of its strategic and development responsibilities, each year the Board of Management holds a meeting including the College Executive. The timing of the event is arranged to facilitate Board Members input to the Regional Strategic and Operational Plans.

The Regional Board of Management normally meets four times per annum and has several committees: Audit & Risk, Finance, Resources & General Purposes, Curriculum, Student Affairs & Outcomes, and Remuneration. The Nominations and the Chair's Committees meet if and when needed. All committees are formally constituted with terms of reference.

Finance Committees recommend to the Board of Management the annual revenue and capital budgets and monitors performance in relation to the approved budgets.

The respective Remuneration Committees determine the remuneration of the Principal and the Senior Management Team.

The Audit & Risk Committee normally meets four times per annum, with the external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the systems of internal control and management responses and implementation plans. It also receives and considers reports from the Scottish Funding Council (and other relevant bodies) as they affect the organisation's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee and the Committee may, at any time, meet with the internal or external auditors independently.

Senior Management Teams receive reports and consider possible control issues brought to their attention by early warning mechanisms embedded within the operational units. The Senior Management Team and the Audit & Risk Committee also receive reports from internal audit, which include recommendations for improvement. The Audit & Risk Committee's role in this area is confined to a high level review of the arrangements for internal control. At the end of each Academic Year the Board of Management consider a report from the Audit & Risk Committee regarding its annual assessment.

The Board of Management is satisfied that it has adequate resources and financial support to continue in operation for the foreseeable future, for this reason the going concern basis continues to be adopted in the preparation of Financial Statements.

The total chargeable costs arising in relation to the Regional College Board for the Year Ended 31st July 2019 were £62k (2017/2018 £74k). South Lanarkshire College were recharged £38k (2017/2018 £33k). The Scottish Funding Council provided £nil (2018 £nil) to offset these costs.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

ACCOUNTABILITY REPORT (Continued)

Statement of Corporate Governance and Internal Control (Continued)

No member of the New College Lanarkshire or South Lanarkshire College executive teams receive any payment in relation to Regional duties, other than reimbursement of expenses.

Keith Fulton,
Interim Chair of the Lanarkshire Board,
(to 10th August 2019),
17th December 2019

Martin McGuire,
Principal and Chief Executive,
(to 6th September 2019),
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.
17th December 2019

Remuneration and Staff Report

Introduction

The Regional Strategic Body is required to prepare and publish within its financial statements an annual Remuneration Report under the 2018/2019 Government Financial Reporting Manual (FRM) issued by the Scottish Government.

Remuneration Policy

The Board of Management has adopted the key principles and policies set out in the Guidance Note on the Operation of Remuneration Committees in Scottish Higher Education (Committee of Scottish Chairs August 2015).

Remuneration and Staff Report

The Regional Strategic Body takes the view that the Principal and Vice Principals of New College Lanarkshire and the Principal of South Lanarkshire College are the key salaried members of the Regional Strategic Body (RSB) with a strategic position within the organisation who influence the decisions of the RSB as a whole, and only they and any non-executive members of the Board of Management should be the subject of the Remuneration Report. None of the non-executive members of the Board of Management receives a salary or pension as a result of their position with the RSB, so only the Principals and New College Lanarkshire Vice Principals are shown below.

Remuneration	Role	Year ended 31 st July 2019			Year ended 31 st July 2018		
		Salary	Pension Contribution	Total	Salary	Pension Contribution	Total
Name		£'000	£'000	£'000	£'000	£'000	£'000
Martin McGuire	Principal, NCL	140-145	20-25	165-170	135-140	20-25	160-165
Derek Smeall	Vice-Principal	90-95	15-20	110-115	90-95	15-20	105-110
Iain Clark	Vice-Principal	90-95	15-20	110-115	90-95	15-20	105-110
Stewart McKillop	Principal, SLC	140-145	20-25	160-165	140-145	20-25	160-165

* Derek Smeall left the College's employment on 31st July 2019. As part of arrangements to manage this transition, Ann Baxter was appointed to the temporary role of Vice Principal: Acting on 3rd June 2019 and is excluded from the figures above.

The Remuneration Committee of New College Lanarkshire determines the remuneration of the Principal and the Senior Management Team. The Remuneration Committee of South Lanarkshire College determines the salary of the Principal and the Senior Management Team.

Remuneration and Staff Report (Continued)

Salary

Salary includes pensionable and non-pensionable payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties, employers' national insurance contributions or employers' pension contributions. In this report this is also referred to as remuneration.

Staff numbers and costs

	<u>Year to July 2019</u>		<u>Year to July 2018</u>	
	FTE	Total Cost £'000	FTE	Total Cost £'000
Staff on permanent contracts	1,118	45,884	1,128	43,784
Staff on temporary contracts	68	4,593	80	5,307
	<u>1,186</u>	<u>50,477</u>	<u>1,208</u>	<u>49,091</u>

Median Remuneration

The banded remuneration of the highest paid senior post holder in the Region in the financial year 2018/2019 was £140k to £145k (2017/2018 £140k to £145k). This was 3.6 times (2017/2018 3.8 times) the median remuneration of the permanent workforce which was £39,329 as at 1st April 2018 (2017/2018 £37,883). However the ratio reduced to 3.4 times by the end of the financial year, due to an increase in the median salary to £41,526 as a result of national bargaining.

In 2018/2019 no employees (2017/2018 nil) received remuneration in excess of the highest paid senior post holder. Remuneration ranged from £16,380 (rising to £17,290 on 1st April 2019) to banded remuneration of £140k to £145k. (2017/2018 £15,925 to banded remuneration £140k to £145k).

Accrued Pension Benefits

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded, and the Local Government Pension Scheme (LGPS), both of which were contracted out of State Earnings-Related Pension Scheme until April 2016. Both STSS and LGPS converted from final salary to career average schemes, though providing protection for benefits built up prior to that date. This means that pension benefits going forward are based on average earnings over the term of membership of the scheme, accrued based on the number of years membership of the schemes. Pension benefits are provided to senior officials on the same basis as all other staff.

The scheme's normal retirement age is 65, although some members of the STSS have a preserved retirement age of 60 years.

Contribution rates are set annually for all employees, and further details can be found on the respective websites at <https://pensions.gov.scot/teachers> and www.spfo.org.uk. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on career average pensionable salary and years of pensionable service.

Remuneration and Staff Report (Continued)

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 tables below.

<u>Name</u>	Accrued pension at pension age at <u>31st July 2019</u> £'000	Accrued lump sum at pension age at <u>31st July 2019</u> £'000	Real increase in pension 1 st August 2018 to <u>31st July 2019</u> £'000	Real increase in lump sum 1 st August 2018 to <u>31st July 2019</u> £'000
Martin McGuire	50-55	160-165	0-2.5	0-2.5
Derek Smeall	40-45	115-120	0-2.5	(-2.5-0)
Iain Clark	25-30	75-80	0-2.5	0-2.5
Stewart McKillop	65-70	200-205	2.5-5	5-10

<u>Name</u>	CETV at <u>31st July 2019</u> £'000	CETV at <u>31st July 2018</u> £'000	Real increase in CETV* £'000
Martin McGuire	1,255	1,216	23
Derek Smeall	899	864	36
Iain Clark	504	483	13
Stewart McKillop	1,630	1,477	153

These benefits have accrued over the duration of the employees' membership of the schemes in which time contributions may have been transferred from previous employers and by the employees themselves.

Cash Equivalent Transfer Value (CETV)

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

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

Remuneration and Staff Report (Continued)

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

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

Real increase in CETV

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

Compensation for loss of office

Eighteen New College Lanarkshire employees left under voluntary exit terms during the year. They received a total payment of £594k, which was funded by the SFC. There were no voluntary exit packages at South Lanarkshire College.

Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	Nil	1	1
£10,000 - £25,000	Nil	3	3
£25,000 - £50,000	Nil	14	14
£50,000 - £100,000	Nil	NIL	NIL
£100,000 - £150,000	Nil	NIL	NIL
£150,000 - £200,000	Nil	NIL	NIL
Total number of exit packages		18	18
Total cost (£)		£594k	£594k

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

ACCOUNTABILITY REPORT (Continued)

Remuneration and Staff Report (Continued)

Sickness Absence and Staff Turnover

Sickness Absence and Staff Turnover figures exclude the Amcol Scotland Limited subsidiary.

Sickness

New College Lanarkshire			South Lanarkshire College	
Session	% of Total Absence	Total Absence Rate	% of Total Absence	Total Absence Rate
2018/2019		3.8%		3.9%
Long-Term	72.0%		76.4%	
Short-Term	28.0%		23.7%	
2017/2018		4.8%		6.0%
Long-Term	74.0%		76.4%	
Short-Term	26.0%		23.7%	

New College Lanarkshire figures for 2017/2018 reflect calendar days lost, for 2018/2019 this has been reviewed to reflect working days lost. South Lanarkshire figures are based on working days lost for both years. Short-term absence at New College Lanarkshire is defined as 20 calendar days or less, while South Lanarkshire use a 15 working day definition. For this reason, a regional indicator has not been shown.

Turnover

Gender Breakdown at year end 31st July 2019

Gender	Headcount	FTE
F	1,042 (67.4%)	779 (64.9%)
M	505 (32.6%)	421 (35.1%)
Grand Total	1,547	1,200

Gender Breakdown at year end 31st July 2018

Gender	Headcount	FTE
F	1,022 (66.9%)	762 (64.6%)
M	506 (33.1%)	418 (35.4%)
Grand Total	1,528	1,180

Remuneration and Staff Report (Continued)

Facility Time

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

Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
16	1.88

Note that New College Lanarkshire now recognises three unions, EIS/FELA, UNISON and UNITE. In 2017/2018, UNITE did not have any workplace representatives. These are now in place and are included in the 2018/2019 data presented here.

Percentage of time spent on facility time

Percentage:	Number of employees:
0%	NIL
1%-50%	16
51% - 99%	NIL
100%	NIL

Percentage of pay bill spent on facility time

Total cost of facility time:	£76k
Total pay bill:	£60,754k
Percentage of the total pay bill spent on facility time:	0.13%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	100%
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Employment of Disabled Persons

The RSB consider all applications for employment from disabled persons, and will interview all applicants declaring a disability who meet the minimum criteria for advertised posts. The RSB is a Committed Employer under the Disability Confident national scheme for employers. Where an existing employee becomes disabled, every effort is made to ensure that employment within the RSB continues.

Equalities/Social Responsibility

The RSB is committed to creating an inclusive and diverse pathway to learning which values partnership and promotes equality of opportunity. It recognises the need to be responsive and customer-focussed and aim to ensure that students and staff are treated with dignity, respect and equality. The RSB recognises the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief (including lack of belief), sex and sexual orientation. The RSB continues to meet its statutory obligations and responsibilities under The Equality Act 2010 and Scottish Specific Duties.

The RSB is committed to delivering Contracts that demonstrate and meet its sustainable objectives, driving through positive social, environmental and economic impacts wherever possible. The Colleges operate under the APUC Ltd Supply Chain Code of Conduct which sets out its expected standards for its supply chain in social, ethical and environmental compliance, with contractors also being encouraged to sign up to the APUC Ltd Supply Chain Code of Conduct to assist in achieving its objectives.

The RSB has a policy on slavery and human trafficking, and is committed to ensuring there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our Policy reflects our commitment to acting ethically and with integrity in all our business relationships.

Health and Safety

The RSB accepts the legal duties of care as set out in the Health and Safety at Work etc., Act 1974 and all other relevant legislation and also our moral and ethical obligations, and the continuous improvement in the management of the health and safety risks to all stakeholders i.e. staff, learners, contractors and visitors. The RSB actively promotes “Healthy Working Lives” and promotes active use of the Occupational Health services on offer.

Data Protection Act

New College Lanarkshire is registered as a Data Controller under the Data Protection Act 2018 (Registration Number Z9194349).

Professional Advisors

External Auditors	:	Mazars LLP
Internal Auditors	:	Wylie & Bisset
Bankers	:	The Royal Bank of Scotland
Solicitors	:	Clyde & Co.

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

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 New College Lanarkshire and its group for the year ended 31st 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 Consolidated Statement of Comprehensive Income and Expenditure, Consolidated Statement of Changes in Reserves, Consolidated Balance Sheet, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

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

Basis 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 31st May 2016. The period of total uninterrupted appointment is five years. We are independent of the college and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the 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 board 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.

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. 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.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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.

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.

Report on other requirements (Continued)

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

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.

Regional Financial Statements for the Year Ended 31st July 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31st July 2019

	<u>Note</u>	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Income					
SFC Grants	2	58,521	44,027	53,413	40,557
Tuition Fees and Education Contracts	3	9,686	6,604	9,605	6,784
Other Income	4	7,241	4,769	7,137	4,780
Donations and endowments	5	-	-	-	-
Investment Income	6	7	6	3	2
Total Income		75,455	55,406	70,158	52,123
Expenditure					
Staff Costs	7	50,477	36,165	49,091	35,882
Exceptional Staff Costs	7	3,772	3,131	2,852	2,445
Other Operating Expenses	8	17,460	13,577	15,730	12,472
Depreciation & Amortisation	11	4,166	3,164	4,076	3,098
Asset Impairment	11	-	-	323	323
Interest and other finance costs	9	205	131	487	401
Total Expenditure		76,080	56,168	72,559	54,621
(Deficit)/Surplus before Other Gains/(Losses)		(625)	(762)	(2,401)	(2,498)
Exceptional gain on release of Lennartz balance	14	-	-	292	-
Gain/(Loss) on Disposal of Fixed Assets	11	-	-	-	-
(Deficit)/Surplus before Tax		(625)	(762)	(2,109)	(2,498)
Taxation	10	-	-	-	-
(Deficit)/Surplus for the Year		(625)	(762)	(2,109)	(2,498)
Unrealised surplus/(deficit) on revaluation of land and buildings		-	-	10,433	8,638
Actuarial gain/(loss) in respect of pension schemes		(7,481)	(6,149)	14,440	12,563
Total Comprehensive Income for the Year		(8,106)	(6,911)	22,764	18,703
Represented by:					
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income for the year		(8,106)	(6,911)	22,764	18,703
		(8,106)	(6,911)	22,764	18,703

In accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, Bursary and Discretionary funds have been excluded from the income and expenditure account.

The Statement of Comprehensive Income is prepared under the FE/HE SORP.

Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit Colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 27 provides details of the adjusted operating position on a Central Government accounting basis.

Regional Financial Statements for the Year Ended 31st July 2019

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

REGION	Income and Expenditure Account		Pension Reserve	Revaluation Reserve	Total
	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
Balance at 1st August 2017	4	22,682	(16,852)	10,850	16,684
(Deficit)/Surplus from the income and expenditure statement	-	(2,109)	-	-	(2,109)
Other Comprehensive income	-	14,440	-	10,433	24,873
Transfer to pension reserve	-	(12,043)	12,043	-	-
Transfer between revaluation and income and expenditure reserve	-	139	-	(139)	-
Release of restricted funds spent in year	-	-	-	-	-
	-	427	12,043	10,294	22,764
Balance at 31st July 2018	4	23,109	(4,809)	21,144	39,448
(Deficit)/Surplus from the income and expenditure statement	-	(625)	-	-	(625)
Other Comprehensive income	-	(7,481)	-	-	(7,481)
Transfer to pension reserve	-	10,735	(10,735)	-	-
Transfer between revaluation and income and expenditure reserve	-	2	-	(2)	-
Release of restricted funds spent in year	(1)	-	-	-	(1)
Total comprehensive income for the year	(1)	2,631	(10,735)	(2)	(8,107)
Balance at 31st July 2019	3	25,740	(15,544)	21,142	31,341

COLLEGE	Income and Expenditure Account		Pension Reserve	Revaluation Reserve	Total
	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
Balance at 1st August 2017	4	18,832	(14,110)	5,354	10,080
(Deficit)/Surplus from the income and expenditure statement	-	(2,498)	-	-	(2,498)
Other Comprehensive income	-	12,563	-	8,638	21,201
Transfer to pension reserve	-	(10,653)	10,653	-	-
Transfer between revaluation and income and expenditure reserve	-	137	-	(137)	-
Release of restricted funds spent in year	-	-	-	-	-
	-	(451)	10,653	8,501	18,703
Balance at 31st July 2018	4	18,381	(3,457)	13,855	28,783
(Deficit)/Surplus from the income and expenditure statement	-	(762)	-	-	(762)
Other Comprehensive income	-	(6,149)	-	-	(6,149)
Transfer to pension reserve	-	8,715	(8,715)	-	-
Transfer between revaluation and income and expenditure reserve	-	-	-	-	-
Release of restricted funds spent in year	(1)	-	-	-	(1)
Total comprehensive income for the year	(1)	1,804	(8,715)	-	(6,912)
Balance at 31st July 2019	3	20,185	(12,172)	13,855	21,871

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

CONSOLIDATED BALANCE SHEET

as at 31st July 2019

	Note	Region 2019 £'000	College 2019 £'000	Region 2018 £'000	College 2018 £'000
Non-Current Assets					
Fixed Assets	11	132,288	96,751	134,759	99,589
Assets in Course of Construction	11	2,958	2,958	17	17
		<u>135,246</u>	<u>99,709</u>	<u>134,776</u>	<u>99,606</u>
Current Assets					
Stock		19	11	20	12
Trade and Other Debtors– Due Within One Year	13	4,538	3,259	3,670	2,730
Cash and Cash Equivalents	19	8,123	5,792	1,619	697
		<u>12,680</u>	<u>9,062</u>	<u>5,309</u>	<u>3,439</u>
Trade and Other Debtors– Due After One Year	13	-	-	646	646
		<u>12,680</u>	<u>9,062</u>	<u>5,955</u>	<u>4,085</u>
Creditors : Amounts Falling Due Within One Year	14	<u>14,551</u>	<u>11,753</u>	<u>11,135</u>	<u>9,149</u>
		<u>14,551</u>	<u>11,753</u>	<u>11,135</u>	<u>9,149</u>
Net Current Assets/(Liabilities)		(1,871)	(2,691)	(5,826)	(5,710)
Total Assets Less Current Liabilities		<u>133,375</u>	<u>97,018</u>	<u>129,596</u>	<u>94,542</u>
Creditors : Amounts Falling Due After One Year	15	84,897	61,881	83,708	61,184
Provisions for Liabilities and Charges					
Early Retirement Pensions	16	1,593	1,094	1,631	1,118
Pension Liability	24	15,544	12,172	4,809	3,457
		<u>102,034</u>	<u>75,147</u>	<u>90,148</u>	<u>65,759</u>
Net Assets Including Pension Liability		<u>31,341</u>	<u>21,871</u>	<u>39,448</u>	<u>28,783</u>
Restricted Reserves					
Income and Expenditure Reserve - Restricted Reserve	18	3	3	4	4
Unrestricted Reserves					
Income and Expenditure Reserve Excluding Pension Reserve		25,740	20,185	23,109	18,381
Revaluation Reserve		21,142	13,855	21,144	13,855
Pension Reserve	24	(15,544)	(12,172)	(4,809)	(3,457)
Total Reserves		<u>31,341</u>	<u>21,871</u>	<u>39,448</u>	<u>28,783</u>

The financial statements on pages 47 to 83 were approved by the Board of Management on 16th December 2019 and signed on its behalf on 17th December 2019 by:

Keith Fulton,
Interim Chair of the Lanarkshire Board,
(to 10th August 2019),
17th December 2019

Martin McGuire,
Principal and Chief Executive,
(to 6th September 2019),
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.
17th December 2019

Regional Financial Statements for the Year Ended 31st July 2019

**CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st July 2019**

	<u>Note</u>	<u>2019</u> £'000	<u>2018</u> £'000
Cash Flow from Operating Activities			
(Deficit)/Surplus for the year		(625)	(2,109)
Adjustment for non-cash items			
Depreciation	11	4,166	4,076
Asset Impairment	11	-	323
Deferred grant release	17	(2,766)	(2,950)
Decrease/(Increase) in stock		1	8
Decrease/(Increase) in debtors	13	(220)	821
(Decrease)/Increase in creditors	14,15	3,819	(1,707)
Increase/(Decrease) in provisions	16	(57)	(298)
Increase/(Decrease) in restricted reserves	18	-	-
Pension costs – FRS 102	7,24	3,076	1,916
Net return on pension liability – FRS 102	9,24	178	481
Adjustment for investing or financing activities			
Interest received	6	(6)	(3)
Interest paid	9	26	6
Net cash inflow from operating activities		<u>7,592</u>	<u>564</u>
Cash flows from investing activities			
Interest received		6	3
Payments made to acquire fixed assets	11	(4,635)	(426)
		<u>(4,629)</u>	<u>(423)</u>
Cash flows from financing activities			
Interest paid		(6)	(9)
Capital grant funding received in respect of capital expenditure	17	4,516	549
Repayment of Lennartz creditor		-	(86)
Repayment of bank loan	15	(968)	(968)
Distribution of restricted fund		(1)	-
		<u>3,541</u>	<u>(514)</u>
(Decrease)/increase in cash and cash equivalents in the year		<u>6,504</u>	<u>(373)</u>
Cash and cash equivalents at beginning of the year	19	1,619	1,992
Cash and cash equivalents at end of the year	19	<u>8,123</u>	<u>1,619</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

1. ACCOUNTING POLICIES

1.01 Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with Financial Reporting Standard (FRS) 102. They conform to the Accounts Direction issued by the Scottish Funding Council (SFC) on 5th July 2019 and to the accompanying 2018/2019 detailed guidance notes and to direction under the Charities and Trustees Investment (Scotland) Act 2005, and Regulation 14 of The Charities Accounts (Scotland) Regulations 2006. The Colleges are public benefit entities and therefore have applied the relevant public benefit requirements of FRS102. The Consolidated Statement of Income and Expenditure is in respect of continuing activities.

1.02 Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets, the going concern concept and the accruals basis.

1.03 Basis of Consolidation

These financial statements combine the consolidated results for New College Lanarkshire and South Lanarkshire College; South Lanarkshire College being assigned to New College Lanarkshire under the Lanarkshire Order. In addition, New College Lanarkshire Board of Management wholly owns Amcol Scotland Limited. Newly acquired subsidiary undertakings are included in the consolidated accounts from the date of acquisition. Intra-group sales and profits are eliminated fully on consolidation. The Colleges have no Students' Unions.

1.04 Recognition of Income

The main annual recurrent allocation from SFC, which is intended to meet recurrent costs, is credited directly to the Consolidated Statement of Comprehensive Income and Expenditure evenly over the year in which it is received.

Tuition fees are credited to the Consolidated Statement of Comprehensive Income and Expenditure in the year in which they are earned.

The Colleges operate a 'fee waiver' policy that provides free access to education to students where they have special educational needs or they are, or their partner is, receiving a form of recognised benefit. Fee waiver funding is received from SFC on an annual recurrent basis.

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

1.04 Recognition of Income (continued)

Grants from non-government sources are recognised in income when the Colleges are entitled to the income and performance related conditions have been met. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income received in advance of performance related conditions being met is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Capital grants from government sources are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the Colleges are entitled to the funds subject to any performance related conditions being met.

All income from short-term deposits is credited to the Consolidated Statement of Income and Expenditure in the period in which it is earned.

Income of a revenue nature from European Structural Funds comprising European Social Funds and European Regional Development Funds is accounted for in the Consolidated Statement of Income and Expenditure to the extent that its recovery is expected with reasonable certainty and where the project has been approved prior to the financial year end and claims made or outstanding relate to the financial year.

For Bursary, Discretionary and E.M.A. Funds, the grants are excluded from the Consolidated Statement of Income and Expenditure as these grants are available solely for students, with the Colleges acting as paying agent. F.E. and H.E. Childcare funds are included in the Consolidated Statement of Income and Expenditure.

1.05 Donations and endowments

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

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

1.06 Pensions

Retirement benefits to College employees are provided by the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pensions Fund (SPF Scheme). These are defined benefit schemes which are externally funded and were contracted out of the State Earnings Related Pension Scheme up to April 2016.

STSS

The Colleges participate in the STSS pension scheme providing benefits based on career average pensionable salary since April 2016 with protection for benefits built up prior to that date. The assets of the scheme are held separately from those of the Colleges. The Colleges are unable to identify their share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by paragraph 28.11 of FRS 102, account for the scheme as if it were a defined contribution scheme.

As a result, the amount charged to the Consolidated Statement of Income and Expenditure represents the contributions payable to the scheme in respect of the year, and actuarial losses and gains previously only recognised through reserves.

In the event of staff taking early retirement, the full liability to the Colleges is calculated and charged to the Consolidated Statement of Income and Expenditure in the year of retiral, with a corresponding provision being established in the Balance Sheet.

SPF

The contributions are determined by an actuary on the basis of determined periodic valuations. The amount charged to the Consolidated Statement of Income and Expenditure represents the service cost expected to arise from employee service in the current year, and actuarial losses and gains previously only recognised through reserves.

1.07 Taxation

Both Colleges and the subsidiary company have been registered in the Scottish Charity Register and as such are "charities" within the meaning of section 506 (1) of the Income and Corporation Taxes Act 1988. The Colleges and the subsidiary are recognised as charities by HM Revenue & Customs. They are therefore charities within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly they are potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Colleges receive no similar exemption in respect of Value Added Tax. The Colleges are exempted from levying VAT on most of the services they provide to students. For this reason the Colleges are generally unable to recover the input VAT they suffer on goods and services purchased.

The subsidiary is not registered for VAT as the business activities are exempt.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

1.08 Tangible Fixed Assets

Fixed assets are stated at cost or deemed cost less accumulated depreciation. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 FE/HE SORP are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

a) Land and Buildings

Land and buildings are measured using the revaluation model. Under the revaluation model assets are revalued to fair value. New College Lanarkshire and Amcol carry out a full revaluation at least every 5 years, with an interim desktop revaluation during the 5 years, such that the market value is not materially different to the current value. South Lanarkshire College carry out a full revaluation every three years. Depreciation and impairment losses are subsequently charged on the revalued amounts.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected useful future benefits to the Colleges. Buildings erected as specialised teaching facilities are depreciated over ten years.

Feuhold land associated with the buildings and undeveloped feuhold land are not depreciated as they are considered to have indefinite lives. Feuhold buildings are depreciated over the remaining useful economic life to the Colleges from the previous revaluation date on a straight line basis, based on the revalued amount.

No depreciation is charged on assets in the course of construction.

b) Plant and Equipment

For College accounts, single items of plant and equipment costing less than £10,000 are written off to the Consolidated Statement of Income and Expenditure in the year of purchase. This figure is £1,000 for the subsidiary. However as part of the uniform Group accounting policies review, the impact upon the accounts is immaterial.

The cost of long-term and routine corrective maintenance is charged to the Consolidated Statement of Income and Expenditure as it is incurred.

1.09 Leased Assets

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

Leasing agreements, which transfer to the Colleges substantially all the risks and rewards of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

1.09 Leased Assets (Continued)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.10 Depreciation

Depreciation is provided at the following rates:

Land and Buildings	1% - 10%	straight line
Short Leasehold	5%	straight line
Plant, Equipment and Vehicles	4% - 33%	straight line

College buildings are depreciated using rates determined by component accounting exercises.

Land is not depreciated unless there is a permanent diminution in its value.

No depreciation is charged on assets under construction, until such time as they are brought into use.

Assets that are held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful lives.

1.11 Investments

The investment in the subsidiary company is held as a fixed asset, and stated at the lower of cost and market value.

1.12 Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

1.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

1.13 Provisions, contingent liabilities and contingent assets (Continued)

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

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

1.14 Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

2. SCOTTISH FUNDING COUNCIL GRANTS

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
SFC FE Recurrent Grant (including fee waiver)	47,710	34,995	45,116	33,966
Childcare grant	2,464	2,098	2,393	1,900
Strategic grant	2,600	2,600	0	0
Voluntary Severance grant	697	697	936	936
Other SFC grants	2,497	1,701	2,269	1,665
Release of deferred SFC capital grants	2,553	1,936	2,699	2,090
	<u>58,521</u>	<u>44,027</u>	<u>53,413</u>	<u>40,557</u>

3. TUITION FEES AND EDUCATION CONTRACTS

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
FE Fees – UK	2,043	1,060	1,790	894
FE Fees – Non EU	4	4	3	3
HE Fees	4,717	3,454	4,925	3,703
SDS contracts	907	529	951	572
Other Contracts	2,015	1,557	1,936	1,612
	<u>9,686</u>	<u>6,604</u>	<u>9,605</u>	<u>6,784</u>

4. OTHER INCOME

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
European funds	1,184	1,184	927	927
Other grant income	26	26	50	50
Other revenue grants	56	42	345	335
Residences and catering	1,538	1,538	1,593	1,593
Other income generating activities	292	292	228	228
Other income	958	925	836	831
Other income – Nurseries	2,975	660	2,907	675
Release of deferred capital grants	212	102	251	141
	<u>7,241</u>	<u>4,769</u>	<u>7,137</u>	<u>4,780</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

5. DONATIONS

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Donations with restrictions	-	-	-	-
Unrestricted donations	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. INVESTMENT INCOME

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Interest receivable:				
Net Return on deposits & balances	7	6	3	2
Net return on pension liabilities	-	-	-	-
Total Income	<u>7</u>	<u>6</u>	<u>3</u>	<u>2</u>

7. STAFF COSTS

7.01 Staff Numbers:

The average number of persons (including senior post holders) employed by the Region during the period, expressed as full-time equivalents, was :

	<u>2019</u> Number	<u>2018</u> Number
Teaching staff	583	577
Teaching support	120	118
Administration and central services	246	252
Premises	64	63
Catering and residences	35	36
Other College expenditure	8	8
Nursery (Subsidiary)	163	154
Total	<u>1,219</u>	<u>1,208</u>

Analysed as:

	<u>2019</u>	<u>2018</u>
Staff on permanent contracts	1,150	1,128
Staff on temporary contracts	69	80
Total	<u>1,219</u>	<u>1,208</u>

7.02 Staff Costs for the Above Persons:

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Salaries and related pay costs:				
Wages and salaries	40,668	28,879	39,492	28,646
Social security costs	3,810	2,778	3,833	2,856
Other pension costs	5,999	4,508	5,766	4,380
Total	<u>50,477</u>	<u>36,165</u>	<u>49,091</u>	<u>35,882</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

7.02 Staff Costs for the Above Persons (Continued)

	<u>2019</u> £'000	<u>2018</u> £'000
Region Details Being :		
Teaching staff	28,937	28,697
Teaching support	4,550	4,194
Administration and central services	11,478	11,148
Premises	1,797	1,648
Catering and residences	918	892
Other College expenditure	257	245
Nursery	2,540	2,267
	<u>50,477</u>	<u>49,091</u>
Costs of voluntary severance	696	936
Pension fund adjustment	3,076	1,916
	<u>3,772</u>	<u>2,852</u>
Gross Staff Costs	<u>54,249</u>	<u>51,943</u>
	<u>2019</u> £'000	<u>2018</u> £'000
Staff on permanent contracts	45,884	43,784
Staff on temporary contracts	4,593	5,307
	<u>50,477</u>	<u>49,091</u>
Total	50,477	49,091
Exceptional staff costs	3,772	2,852
Gross Staff Costs	<u>54,249</u>	<u>51,943</u>

The Chair of the Board of Management received a payment in the range £20,000 to £25,000 (2018 £20,000 to £25,000) for time spent on Colleges' business. The members of the Board of Management other than the Chair, the Principals and staff members did not receive any payment from the Colleges other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Overseas Travel

The cost of overseas trips undertaken by Colleges staff in the year was £26k. £18k was fully funded by European funded staff programmes or other grants. The remaining trips were funded through College income generation.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

7.03 Higher Paid Members of Staff

The number of higher paid members of staff, including the Principals, who received annual emoluments, including benefits in kind and excluding pension contributions, in the following ranges was:

	<u>2019</u>	<u>2018</u>
	Number	Number
£60,001 to £70,000	7	10
£70,001 to £80,000	8	7
£80,001 to £90,000	-	-
£90,001 to £100,000	3	4
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	-	1
£140,001 to £150,000	2	1

All higher paid staff members are ordinary members of the appropriate pension scheme and employer's College contributions are paid at the same rate as for other members of staff.

7.04 Senior post-holders' emoluments

	No.	No.
The number of senior post-holders, including the Principals was:	<u>20</u>	<u>23</u>

Senior post-holders are defined as any member of staff whose total annual emoluments excluding pension contributions and employers' national insurance exceeds £60,000.

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Senior post-holders' emoluments are made up as follows:		
Salaries	1,679	1,651
Benefits in kind	-	-
Pension contributions	293	291
	<u>1,972</u>	<u>1,942</u>

The above emoluments include amounts payable to the Principals, who are the highest paid senior post-holders in each College.

	<u>2019</u>	<u>2018</u>
	£'000	£'000
Remuneration:		
New College Lanarkshire Principal	142	140
South Lanarkshire College Principal	142	141
Benefits in kind:		
New College Lanarkshire Principal	-	-
South Lanarkshire College Principal	-	-
	<u>284</u>	<u>281</u>
Pension contributions:		
New College Lanarkshire Principal	24	24
South Lanarkshire College Principal	24	24
	<u>48</u>	<u>48</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

7.04 Senior post-holders' emoluments (Continued)

The Principals are both ordinary members of the Scottish Teachers Superannuation Scheme. The Colleges' contributions to the scheme are paid at the same rate as for other members of the academic staff.

The Principals and 13 other senior post-holders were members of the Scottish Public Pensions Agency and another 6 senior post-holders were members of the Local Government Pension Scheme. All pension contributions were paid at the same rate as for other members of staff.

8. ANALYSIS OF OTHER OPERATING EXPENSES BY ACTIVITY

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Teaching Activities	3,755	2,683	3,275	2,474
Childcare	2,491	2,117	2,256	1,919
Residences and Catering	674	674	688	688
Premises	5,043	3,496	4,070	2,914
Administration and Central Services	4,802	4,104	4,777	4,064
Nursery	20	20	21	21
Other Expenses	675	483	643	392
	<u>17,460</u>	<u>13,577</u>	<u>15,730</u>	<u>12,472</u>

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Auditor's remuneration (including irrecoverable VAT) :				
External Audit	71	46	70	51
Internal Audit	51	37	55	35
Other services provided by :				
External Auditors	12	-	12	-
Internal Audit	10	10	-	-
Hire of other assets - operating leases				
Equipment	176	76	174	66
Buildings	130	50	-	-

9. INTEREST PAYABLE

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Pension Finance Costs (note 24)	178	131	481	401
Other Interest Payable	27	-	6	-
Total Cost	<u>205</u>	<u>131</u>	<u>487</u>	<u>401</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

10. TAXATION

The Board of Management does not believe that the Regional Strategic Body was liable for any corporation tax arising out of its activities during the period.

11. FIXED ASSETS

FIXED ASSETS - REGION

	Land & Buildings	Short Leasehold	Plant, Equipment and Vehicles	Total
COST	£'000	£'000	£'000	£'000
As at 1st August 2018	134,677	114	7,656	142,447
Additions	1,030	-	665	1,695
Revaluation				
Impairment				
As at 31st July 2019	<u>135,707</u>	<u>114</u>	<u>8,321</u>	<u>144,142</u>
DEPRECIATION				
As at 1st August 2018	1,488	40	6,160	7,688
Provided during period	3,542	6	619	4,167
Revaluation				
As at 31st July 2019	<u>5,030</u>	<u>46</u>	<u>6,779</u>	<u>11,855</u>
NET BOOK VALUE				
As at 31st July 2019	<u>130,677</u>	<u>68</u>	<u>1,542</u>	<u>132,287</u>
As at 1 st August 2018	<u>133,189</u>	<u>74</u>	<u>1,496</u>	<u>134,759</u>

Included in Land and Buildings is land at a value of £3,910k which is not depreciated.

New College Lanarkshire properties were revalued by GVA James Barr at 31st July 2018 using depreciated replacement cost for all but the Kirkintilloch Teaching Annexe that was valued at market value. South Lanarkshire College properties were revalued by Gerald Eve LLP at 31st July 2018 using depreciated replacement cost.

Amcol Scotland Limited properties were revalued using market values by Whyte & Barrie at 31st July 2017.

The net book value of Plant, Equipment and Vehicles includes an amount of £Nil (2018: £Nil) in respect of assets held under finance leases and hire purchase contracts.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

11. FIXED ASSETS (Continued)

FIXED ASSETS - COLLEGE

	Land & Buildings	Plant, Equipment and Vehicles	Total
COST	£'000	£'000	£'000
As at 1st August 2018	98,811	4,036	102,847
Additions	258	68	326
Revaluation	-	-	-
Impairment	-	-	-
As at 31st July 2019	<u>99,069</u>	<u>4,104</u>	<u>103,173</u>
DEPRECIATION			
As at 1st August 2018	52	3,206	3,258
Provided during period	2,775	389	3,164
Disposals	-	-	-
Revaluation	-	-	-
As at 31st July 2019	<u>2,827</u>	<u>3,595</u>	<u>6,422</u>
NET BOOK VALUE			
As at 31st July 2019	<u>96,242</u>	<u>509</u>	<u>96,751</u>
As at 1 st August 2018	<u>98,759</u>	<u>830</u>	<u>99,589</u>
ASSETS IN THE COLLEGE OF CONSTRUCTION (REGION AND COLLEGE)			
	Land & Buildings	Plant, Equipment and Vehicles	Total
COST OR VALUATION	£'000	£'000	£'000
As at 1st August 2018	-	17	17
Additions	2,941	-	2,941
Transfer to Assets	-	-	-
As at 31st July 2019	<u>2,941</u>	<u>17</u>	<u>2,958</u>
DEPRECIATION			
As at 1st August 2018	-	-	-
Provided during period	-	-	-
As at 31st July 2019	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value			
As at 31st July 2019	<u>2,941</u>	<u>17</u>	<u>2,958</u>
As at 1 st August 2018	<u>-</u>	<u>17</u>	<u>17</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

Land and Buildings Assets in the Course of Construction relate to a programme of Very High Priority Maintenance, College wide. Plant, Equipment and Vehicles Assets in the Course of Construction related to a College wide Estates helpdesk system. These assets are not depreciated until fully capitalised.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

12. INVESTMENTS

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Investment in Subsidiary	-	-	-	-

On 31st December 2008, 100% of the share capital of Amcol Scotland Limited at 10,000 £1.00 shares was transferred to Motherwell College for nil consideration. The shares were subsequently transferred to New College Lanarkshire upon legal formation. In the year to 31st July 2019, Amcol Scotland Limited made a deficit of £93k on a turnover of £2,522k net of intercompany transactions, and had net assets of £1,712k. The principal trading activity of the subsidiary is the Provision of Nursery Education.

13. TRADE AND OTHER DEBTORS

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Amounts falling due within one year:				
Trade debtors	861	407	461	138
Other debtors	11	-	5	-
Prepayments and accrued income	2,473	2,042	1,601	1,440
SFC loan funding	646	646	968	968
European funding	547	164	635	184
	<u>4,538</u>	<u>3,259</u>	<u>3,670</u>	<u>2,730</u>
Amounts falling due after more than one year:				
SFC loan funding	-	-	646	646
	<u>4,538</u>	<u>3,259</u>	<u>4,316</u>	<u>3,376</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Bank loans and overdrafts	646	646	968	968
Trade creditors	600	558	606	491
Social security and other taxation payable	1,319	1,041	1,087	860
Accruals and deferred income	5,427	4,402	3,812	3,332
HMRC – Lennartz VAT	-	-	-	-
Deferred income – restricted	1,933	1,548	995	373
Bursaries and Access funds for future disbursement	273	224	112	1
Deferred capital grants (note 18)	2,669	1,925	2,753	2,034
Subsidiary loan	-	-	-	500
Other creditors	1,684	1,409	802	590
	<u>14,551</u>	<u>11,753</u>	<u>11,135</u>	<u>9,149</u>

SFC make non-recurrent grants to the Colleges with restrictions on use. These are generally in respect of estates and maintenance requirements. An element of this allocation has been carried forward under “Deferred Income – restricted” and will be used for future projects.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Bank Loan	-	-	646	646
Deferred capital grants (note 17)	84,897	61,881	83,062	60,538
As at 31st July 2019	<u>84,897</u>	<u>61,881</u>	<u>83,708</u>	<u>61,184</u>

Bank Loans are repayable as follows:

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
In one year or less	646	646	968	968
Between one year and two years	-	-	646	646
Between two years and five years	-	-	-	-
In five years or more	-	-	-	-
	<u>646</u>	<u>646</u>	<u>1,614</u>	<u>1,614</u>

The Bank Loan was taken out in the name of Coatbridge College. There is no net exposure on this loan which is fully guaranteed and funded by the SFC. See note 21.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

16. PROVISIONS FOR LIABILITIES AND CHARGES

REGION	Pension Provision for SPF Scheme £'000	Pension Provision for STSS £'000	Total £'000
Early Retirement Pension Provision			
As at 1st August 2018	19	1,612	1,631
Payments made during the year	(3)	(100)	(103)
Revaluation adjustment	-	65	65
As at 31st July 2019	<u>16</u>	<u>1,577</u>	<u>1,593</u>

COLLEGE	Pension Provision for SPF Scheme £'000	Pension Provision for STSS £'000	Total £'000
Early Retirement Pension Provision			
As at 1st August 2018	-	1,118	1,118
Payments made during the year	-	(70)	(70)
Revaluation adjustment	-	46	46
As at 31st July 2019	<u>-</u>	<u>1,094</u>	<u>1,094</u>

The STSS pension provision has been revalued using actuarial tables supplied by SFC. The net interest rate applied was 0% (2018 0.5%) as advised by SFC.

New College Lanarkshire use Hymans Robertson to actuarially compute their SPF Scheme liability and account for this as part of the Pension Liability in note 24. South Lanarkshire College have fewer Early Retirement Provisions and accordingly perform their own accrual computations and report this liability separately along with Provisions for the STSS.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

17. DEFERRED CAPITAL GRANTS

REGION	SFC £'000	ESF £'000	Other £'000	Total £'000
As at 1st August 2018				
Land and Buildings	77,907	6,228	930	85,065
Equipment	750	-	-	750
	<u>78,657</u>	<u>6,228</u>	<u>930</u>	<u>85,815</u>
Cash Received				
Land and Buildings	3,975	-	-	3,975
Equipment	541	-	-	541
Grants Released				
Land and Buildings	(2,174)	(210)	(24)	(2,408)
Equipment	(357)	-	-	(357)
	<u>80,642</u>	<u>6,018</u>	<u>906</u>	<u>87,566</u>
As at 31st July 2019				
Being:				
Land and Buildings	79,708	6,018	906	86,632
Equipment	934	-	-	934
	<u>80,642</u>	<u>6,018</u>	<u>906</u>	<u>87,566</u>
Due within one year	2,457	191	21	2,669
Due after more than one year	<u>78,185</u>	<u>5,827</u>	<u>885</u>	<u>84,897</u>
	SFC	ESF	Other	Total
COLLEGE	£'000	£'000	£'000	£'000
As at 1st August 2018				
Land and Buildings	59,551	1,700	930	62,181
Equipment	391	-	-	391
	<u>59,942</u>	<u>1,700</u>	<u>930</u>	<u>62,572</u>
Cash Received/(Repaid)				
Land and Buildings	3,204	-	-	3,204
Equipment	68	-	-	68
Grants Released				
Land and Buildings	(1,711)	(100)	(24)	(1,835)
Equipment	(203)	-	-	(203)
	<u>61,300</u>	<u>1,600</u>	<u>906</u>	<u>63,806</u>
As at 31st July 2019				
Being:				
Land and Buildings	61,044	1,600	906	63,550
Equipment	256	-	-	256
	<u>61,300</u>	<u>1,600</u>	<u>906</u>	<u>63,806</u>
Due within one year	1,823	81	21	1,925
Due after more than one year	<u>59,477</u>	<u>1,519</u>	<u>885</u>	<u>61,881</u>

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2019

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2019

18. RESTRICTED RESERVES (REGION AND COLLEGE)

	<u>2019</u> £'000	<u>2018</u> £'000
As at 1st August 2018	4	4
Add : Grant received	-	-
Less: Disbursed to Students during year	(1)	-
As at 31st July 2019	<u>3</u>	<u>4</u>

Grants received by New College Lanarkshire for the James A. Cuthbertson's Trust Prizes Fund remain to be disbursed at year end. This trust provides for a prize for the best male and female students on day release courses for technical apprentices in Engineering.

19. CASH AND CASH EQUIVALENTS

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Cash and cash equivalents	1,619	697	1,992	1,115
Overdrafts	-	-	-	-
As at 1st August 2018	<u>1,619</u>	<u>697</u>	<u>1,992</u>	<u>1,115</u>
Cash flows	6,504	5,095	(373)	(418)
Cash and cash equivalents	8,123	5,792	1,619	697
Overdrafts	-	-	-	-
As at 31st July 2019	<u>8,123</u>	<u>5,792</u>	<u>1,619</u>	<u>697</u>
Being:				
College funds	7,158	5,637	1,283	671
Student Support funds	155	155	26	26
Nursery	810	-	310	-
	<u>8,123</u>	<u>5,792</u>	<u>1,619</u>	<u>697</u>

The increase in cash is principally due to holding SFC funds for capital works under the Very High Priority Maintenance allocations.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

20. CAPITAL AND OTHER COMMITMENTS

At 31st July 2019 the Region (and College) had £286k in capital commitments (2018: £195K) for various Very High Priority Maintenance projects various cross campus classroom/office upgrades.

21. CONTINGENT LIABILITIES

New College Lanarkshire has a loan facility arranged with Lloyds TSB for £8,700k that runs to 2020. The SFC has given a guarantee to the bank to cover all costs associated with the loan, fully negating any risk to the College. This relates to the former Coatbridge College.

22. LEASE OBLIGATIONS

The net operating lease obligations are:

	<u>Region</u> <u>2019</u>	<u>College</u> <u>2019</u>	<u>Region</u> <u>2018</u>	<u>College</u> <u>2018</u>
	£'000	£'000	£'000	£'000
<u>Land and Buildings</u>				
One year or less	130	50	130	50
Over one and under five years	322	-	372	50
Over five years	563	-	643	-
	<u>1,015</u>	<u>50</u>	<u>1,145</u>	<u>100</u>
<u>Office Equipment</u>				
One year or less	161	83	175	76
Over one and under five years	55	18	187	76
Over five years	-	-	-	-
	<u>216</u>	<u>101</u>	<u>362</u>	<u>152</u>

23. POST BALANCE SHEET EVENTS

There are no post balance sheet events to be reported.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

24. PENSION SCHEMES

The Colleges' employees belong to one of two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF) scheme, which are of the defined benefit type. The STSS is a notional fund and there are specific regulations regarding the basis on which the actuarial valuation should be carried out. The assets of the SPF scheme are held in a separate, trustee-administered fund.

	<u>Region</u> <u>2019</u>	<u>College</u> <u>2019</u>	<u>Region</u> <u>2018</u>	<u>College</u> <u>2018</u>
	£'000	£'000	£'000	£'000
Total Pension Cost for the Year				
Teachers' Pension Scheme : Contributions paid	<u>3,710</u>	<u>2,747</u>	<u>3,797</u>	<u>2,875</u>
Local Government Pension Scheme:				
Contributions paid	2,218	1,716	2,112	1,662
Contributions paid (unfunded)	45	45	45	45
Pension fund adjustment	<u>2,435</u>	<u>2,435</u>	<u>1,916</u>	<u>1,509</u>
Charge to the Statement of Comprehensive Income	4,698	4,196	4,073	3,216
Total Pension Cost for Year within staff costs	<u><u>8,408</u></u>	<u><u>6,943</u></u>	<u><u>7,870</u></u>	<u><u>6,091</u></u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest published formal actuarial valuation of the STSS was 31st March 2016 and of the SPF 31st March 2017.

Contributions amounting to £866k (£751k 2018) for the Region, £653k (2018 £584k) for the College, were payable to the schemes at 31st July and are included within creditors.

Scottish Teachers Superannuation Scheme (STSS)

The Scottish Teachers Superannuation Scheme is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme (Scotland) Regulations 2014. These regulations apply to teachers in schools and other educational establishments in Scotland that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers, and from 1st January 2007 automatic for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the STSS.

The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds, provided by Parliament.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

24. PENSION SCHEMES (Continued)

The Teachers' Pension Budgeting and Valuation Account (Continued)

The STSS is an unfunded scheme and members contribute on a "pay as you go" basis – these contributions along with those made by employers are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pension Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1st April 2001 the Account has been credited with a real rate of return which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Valuation of the Teachers' Pension Scheme

The latest published actuarial review of the STPS was carried out as at 31st March 2016 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014, as amended, completed on 18th February 2019. The key results of the valuation are:

- The employer contribution rate was set at 23% from 1st September 2019; it was previously 17.2% of pensionable pay. While the employee rate applied is a variable, it will provide an actuarial yield of 9.6% of pensionable pay;
- At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.3% of employers' pension contributions for fifteen years from 1st April 2019 although the increase was not implemented until 1st September 2019. This contribution is included in the 23% employers' contribution rate;

A full copy of the valuation report and supporting documentation can be found on the Scottish Public Pensions Agency website at the following location:

http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=989:valuations&catid=164:stss-scheme&itemid=1664

Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultation with trade unions and other representative bodies on reform of the STSS, the Scottish Government published a Framework Document setting out the design for a reformed STSS to be implemented from 1st April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly pension benefits built up before 1st April 2015 will be fully protected.

In addition the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1st April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

24. PENSION SCHEMES (Continued)

Scheme Changes (Continued)

Regulations giving effect to a reformed Teachers' Pension Scheme came into force on 1st April 2014 and the reformed scheme commenced on 1st April 2015.

The pension costs paid to STSS in the year amounted to £5,854k for the Region (2018 £5,860k) £4,326k (2018 £4,417k) for the College. The employer's contributions totalled £3,735k (College £2,773k) and employees' contributions totalled £2,119k (College £1,553k).

FRS 102 (28)

Under the definitions set out in FRS 102 (28.11), the STSS is a multi-employer pension plan. The Colleges are unable to identify their share of the underlying assets and liabilities of the plan.

Accordingly the Colleges have taken advantage of the exemption in FRS102 and have accounted for their contributions to the scheme as if it were a defined-contribution plan. The Colleges have set out above the information available for the plan and the implications for the Colleges in terms of the anticipated contribution rates.

Strathclyde Pension Fund (SPF)

The Strathclyde Pension Fund is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014.

The total contributions made for the year ended 31st July 2019 were £2,893k (2018 £2,770k) for the Region, £2,242k (2018 £2,182k) for the College. The employer's contributions totalled £2,260k (College £1,761k) and employees' contributions totalled £678k (College £526k). The agreed contribution rates for future years are 19.3% for employers and range from 5.5% to 11.9% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31st March 2017 updated to 31st July 2019 by a qualified independent actuary.

	31st July 2019	31st July 2018
Rate of increase in salaries	3.6%	3.6%
Future pensions increases	2.4%	2.4%
Discount rate for scheme liabilities	2.1%	2.8%
Inflation Assumption	2.4%	2.4%

Commutation of pensions to lump sums – An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

24. PENSION SCHEMES (Continued)

Life expectancy is based on the Fund's VitaCurves, with improvements in line with the CMI 2016 model with an allowance for smoothing of recent mortality experience and long term rates of 1.5% per annum for males and 1.25% per annum for females. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	At 31st July 2019	At 31st July 2018
	Years	years
Current Pensioners		
Males	20.7	21.4
Females	22.9	23.7
Future Pensioners		
Males	22.2	23.4
Females	24.6	25.8

The Region and College's share of the assets in the plan at the balance sheet date and the expected rates of return were as follows. The expected rate of return is set equal to the discount rate as per FRS102 disclosure requirements.

	Estimated split of assets at 31st July 2019	Region Fair Value at 31st July 2019	College Fair Value at 31st July 2019	Estimated split of assets at 31st July 2018	Region Fair Value at 31st July 2018	College Fair Value at 31st July 2018
	%	£'000	£'000	%	£'000	£'000
Equity instruments	65%	53,339	44,057	64%	47,802	39,562
Debt instruments	24%	19,694	16,267	22%	16,432	13,600
Property	10%	8,206	6,778	11%	8,216	6,800
Cash	1%	821	678	3%	2,241	1,854
Total fair value of plan assets		82,060	67,780		74,691	61,816
Weighted average expected long term rate of return		2.1%		2.8%		
Actual return on plan assets		5,768	4,769		5,527	4,725

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

24. PENSION SCHEMES (Continued)

The amount included in the balance sheet in respect of the defined benefit pension plan and enhanced pensions benefits is as follows:

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Fair value of plan assets	82,060	67,780	74,691	61,816
Present value of plan liabilities	(97,107)	(79,455)	(78,982)	(64,755)
Present value of unfunded liabilities	(497)	(497)	(518)	(518)
Net pensions liability	<u>(15,544)</u>	<u>(12,172)</u>	<u>(4,809)</u>	<u>(3,457)</u>

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Amounts included in staff costs				
Current service cost	4,182	3,280	4,070	3,213
Past service cost	1,154	916	3	3
Total	<u>5,336</u>	<u>4,196</u>	<u>4,073</u>	<u>3,216</u>
Amounts included in interest payable				
Net interest (cost)	(178)	(131)	(481)	(401)
Total	<u>(178)</u>	<u>(131)</u>	<u>(481)</u>	<u>(401)</u>
Amount recognised in Other Comprehensive Income				
Return on pension plan assets	3,656	3,023	3,682	3,201
Changes in demographic assumptions	3,934	3,219	(92)	(44)
Experience losses arising on defined benefit obligations	(19)	(19)	4,111	3,785
Changes in assumptions underlying the present value of plan liabilities	(15,052)	(12,372)	6,739	5,621
	<u>(7,481)</u>	<u>(6,149)</u>	<u>14,440</u>	<u>12,563</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

24. PENSION SCHEMES (Continued)

Movement in net defined benefit (liability) in scheme

	<u>Region</u> <u>2019</u> £'000	<u>College</u> <u>2019</u> £'000	<u>Region</u> <u>2018</u> £'000	<u>College</u> <u>2018</u> £'000
Net defined liability in scheme at 1 st August 2018	(4,809)	(3,457)	(16,852)	(14,110)
Movement in year:				
Current and past service cost	(5,336)	(4,196)	(4,073)	(3,216)
Employer contributions	2,215	1,716	2,112	1,662
Contributions in respect of unfunded benefits	45	45	45	45
Net interest on the defined liability	(178)	(131)	(481)	(401)
Actuarial gain or loss	(7,481)	(6,149)	14,440	12,563
Net defined liability at 31st July 2019	<u>(15,544)</u>	<u>(12,172)</u>	<u>(4,809)</u>	<u>(3,457)</u>

McCloud ruling

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

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

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

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 31st July 2019 disclosures) of £906k for New College Lanarkshire and £227k for South Lanarkshire College.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

24. PENSION SCHEMES (Continued)

Guaranteed Minimum Pension (GMP)

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme (LGPS) between 6th April 1978 and 5th April 1997. The value of GMP is inherently unequal between males and females for a number 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 6th April 2016 and 5th April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

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

The estimated impact of GMP indexation is to increase the total liabilities (which, if requested, would be shown as a past service cost within the 31st July 2019 disclosures) by approximately £106,000 for New College Lanarkshire and £11,000 for South Lanarkshire College. South Lanarkshire College have adjusted for this figure in their financial statements whilst New College Lanarkshire have disclosed in a note to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

24. PENSION SCHEMES (Continued)

Asset and Liability Reconciliation

	Region 2019 £'000	College 2019 £'000	Region 2018 £'000	College 2018 £'000
<u>Changes in the present value of defined benefit obligations</u>				
Defined benefit obligations at start of period	79,500	65,273	84,462	69,988
Current and past service cost	5,336	4,196	4,073	3,216
Interest cost	2,290	1,877	2,326	1,925
Contributions by Scheme participants	678	526	658	520
Experience gains and losses on defined benefit obligations	19	19	(4,111)	(3,785)
Changes in financial assumptions	15,052	12,372	(6,739)	(5,621)
Changes in demographic assumptions	(3,934)	(3,219)	92	44
Estimated benefits paid	(1,337)	(1,092)	(1,261)	(1,014)
Defined benefit obligations at end of period	<u>97,604</u>	<u>79,952</u>	<u>79,500</u>	<u>65,273</u>
<u>Changes in fair value of plan assets</u>				
Fair value of plan assets at start of period	74,691	61,816	67,610	55,878
Interest on plan assets	2,112	1,746	1,845	1,524
Return on plan assets	3,656	3,023	3,682	3,201
Employer contributions	2,215	1,716	2,112	1,662
Contributions in respect of unfunded benefits	45	45	45	45
Contributions by Scheme participants	678	526	658	520
Estimated benefits paid	(1,292)	(1,047)	(1,216)	(969)
Unfunded benefits paid	(45)	(45)	(45)	(45)
Fair value of plan assets at end of period	<u>82,060</u>	<u>67,780</u>	<u>74,691</u>	<u>61,816</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

**25. BURSARY AND OTHER STUDENT SUPPORT FUNDS
REGION**

					<u>2019</u>	<u>2018</u>
FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS	FE Bursary	FE Discretionary Funding	EMA	FE/HE Childcare	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward	128	-	(15)	-	113	332
Grants received in period	10,720	1,071	944	2,899	15,634	14,865
College Contribution	13	-	-	1	14	-
Repaid to SFC as clawback	(308)	-	-	-	(308)	-
Disbursements in support of students	(10,358)	(1,080)	(929)	(2,860)	(15,227)	(15,084)
Virements	(9)	9	-	-	-	-
Balance carried forward	186	-	-	40	226	113
Represented by:						
Repayable to Funding Council as clawback	49	-	-	-	49	111
Retained by Colleges for students	137	-	-	40	177	2
	186	-	-	40	226	113

**FUNDS RECEIVED FROM STUDENT
AWARDS AGENCY FOR SCOTLAND (SAAS)**

		<u>2019</u>	<u>2018</u>
	HE Discretionary Fund £'000	Total £'000	Total £'000
Balance brought forward	-		11
Grants received in period	509	509	699
College contribution to funds	16	16	-
Disbursement in support of students	(478)	(478)	(699)
Repaid to SAAS	-	-	(11)
Virements	-	-	-
Balance carried forward	47	47	-
Represented by:			
Repayable to Funding Council/SAAS as clawback	47	47	-
Retained by Colleges for students	-	-	-
	47	47	-

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

**25. BURSARY AND OTHER STUDENT SUPPORT FUNDS COLLEGE (Continued)
COLLEGE**

FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS	FE	FE	EMA	FE/HE	<u>2019</u>	<u>2018</u>
	Bursary	Discretionary Funding		Childcare	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward	2	-	-	-	2	211
Grants received in period	8,010	407	803	2,139	11,359	11,224
College contribution to funds						
Repaid to SFC as clawback	-	-	-	-	-	-
Disbursement in support of students	(7,866)	(416)	(803)	(2,099)	(11,184)	(11,433)
Virements	(9)	9		-		-
Balance carried forward	137	-	-	40	177	2
Represented by:						
Repayable to Funding Council as clawback	-	-	-	-	-	-
Retained by College for students	137	-	-	40	177	2
	137	-	-	40	177	2

FUNDS RECEIVED FROM STUDENT AWARDS AGENCY FOR SCOTLAND (SAAS)	HE	<u>2019</u>	<u>2018</u>
	Discretionary Funding	Total	Total
	£'000	£'000	£'000
Balance brought forward	-	-	11
Grants received in period	352	352	368
College contribution to funds			-
Disbursement in support of students	(305)	(305)	(368)
Repaid to SAAS	-		(11)
Virements	-		-
Balance carried forward	47	47	-
Represented by:			
Repayable to SAAS	47	47	-
Retained by College for students	-	-	-
	47	47	-

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

26. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the accounting policies, which are described in note 1, the Board of Management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the Board of Management have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Defined benefit pension scheme (note 24). The Colleges have obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The Board of Management estimates these factors with guidance from SFC and advice from Hymans Robertson in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

27. ADJUSTED OPERATING POSITION ON A CENTRAL GOVERNMENT ACCOUNTING BASIS

	<u>Region 2019</u>	<u>College 2019</u>	<u>Region 2018</u>	<u>College 2018</u>
	£'000	£'000	£'000	£'000
(Deficit) before other gains and losses (FE/HE SORP basis) for academic year	(625)	(762)	(2,401)	(2,498)
Add: Depreciation budget for Government funded assets (net of deferred capital grant) for academic year	974	863	974	863
Operating surplus (deficit) on Central Government accounting basis for academic year	349	101	(1,427)	(1,635)

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

Under the FE/HE SORP, the Region recorded an operating deficit of £625k for the year ended 31st July 2019. After adjusting for the non-cash allocation provided under Government rules, the Region shows an “adjusted” surplus of £349k on a Central Government accounting basis. This demonstrates that the Region is operating sustainably within its funding allocation.

The above surplus differs from the Underlying Operating Position surplus of £1,494k shown in the Financial Performance section at the front of these accounts, which adjusts for the actual depreciation less deferred capital grants as well as for non-cash pension adjustments, Transformation Funding and any non-government capital grants, in line with Scottish Funding Council guidance.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2019**

Appendix One

2018-19 Accounts direction for Scotland's Colleges

- 1 It is the Scottish Funding Council's direction that Colleges comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.
- 2 A new SORP ("the 2019 SORP") was issued in October 2018 and this must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter. Early adoption is permitted as described in Section 27 ("Transition to the 2019 SORP") of the 2019 SORP.
- 3 Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned college).
- 4 Incorporated Colleges are also required to comply with the Government Financial Reporting Manual 2018-19 (FRM) where applicable.
- 5 Incorporated Colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31st December 2019.
- 6 The annual report and accounts should be signed by the Chief Executive Officer and by the Chair, or one other member of the governing body.
- 7 Incorporated Colleges should reproduce this Direction as an appendix to the annual report and accounts.

**Scottish Funding Council
5th July 2019**