



**NEW
COLLEGE
LANARKSHIRE**
Bringing Education Closer

Regional Financial Statements

Year Ended: 31st July 2021

The
Lanarkshire
Board



South
Lanarkshire
College

East Kilbride



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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 2021 triggering the requirement for consolidated Regional Financial Statements under FRS102. The Financial Statements also require the consolidation of Amcol Scotland Limited, a provider of Nursery Education and being a 100% subsidiary of New College Lanarkshire. In these Financial Statements the “College” heading refers to New College Lanarkshire and the “Region” heading refers to consolidated figures for New College Lanarkshire, South Lanarkshire College and Amcol Scotland Limited.

The Board of Management thereby presents its audited Regional Financial Statements for the year ended 31st July 2021. The Financial Statements consists 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 updated in 2017 and is effective for accounting periods beginning on or after 1st January 2019. The 2019 SORP reflects any further changes to UK Generally Accepted Accounting Practices (GAAP) following the issuing of FRS 100, 101 and 102.

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

Legal Status

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

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

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

Legal Status (Continued)

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

The Region consists of three registered charities, New College Lanarkshire (SC021206), South Lanarkshire College (SC021181), and Amcol Scotland Limited (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. 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, which is mainly served by New College Lanarkshire, 13.6% of North Lanarkshire's working age population (aged 16 to 64) have no formal qualifications (2017), and 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. The Scottish average for adults with no formal qualifications is 8.7%. One approach taken to ensure access for people from a range of backgrounds is to deliver training via the Flexible Workforce Development Fund, which facilitates the Colleges supporting employers to access flexible training, based upon their needs as well as signposting employers to where they can access additional support or training.

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

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

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

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 students 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.

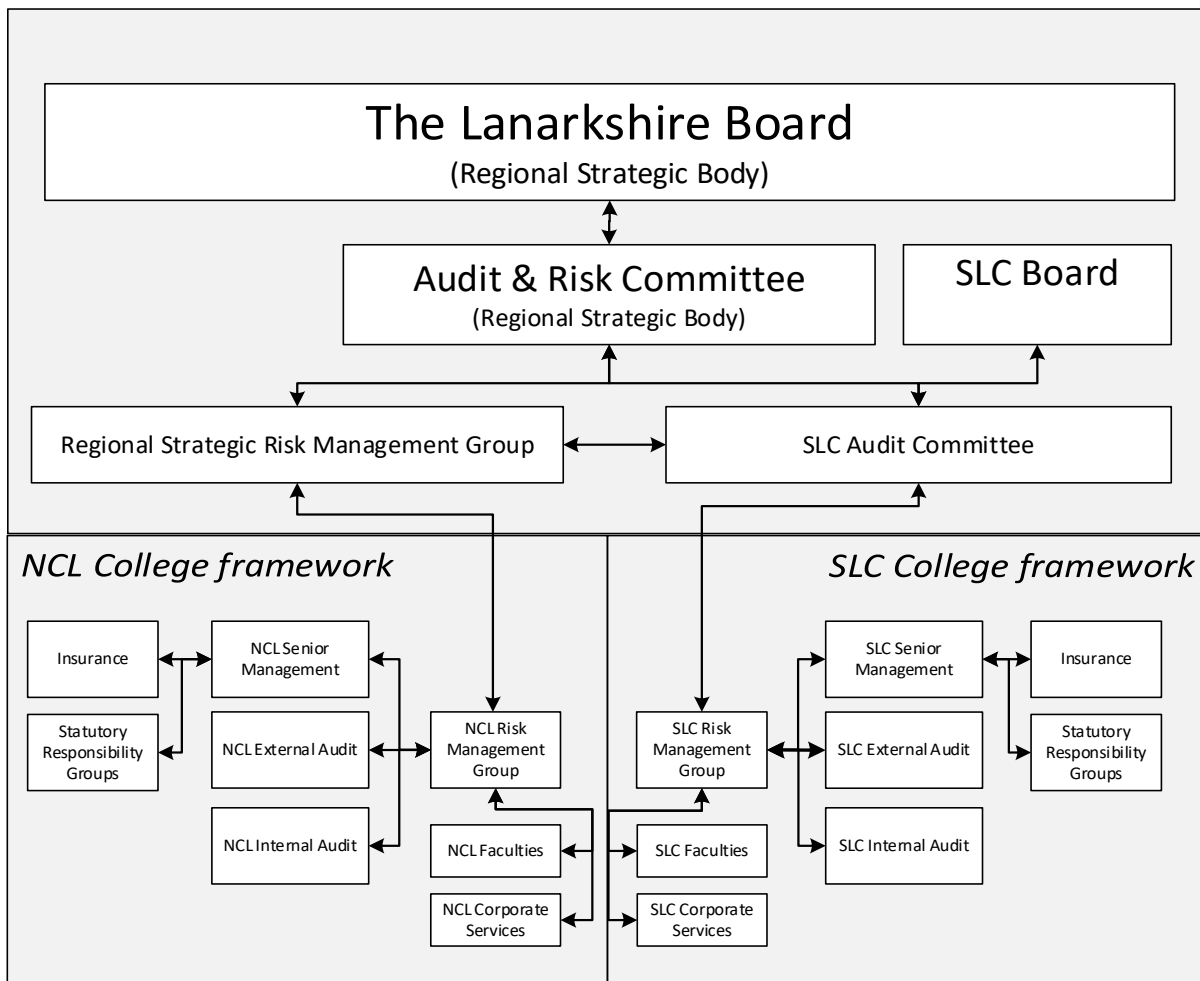
PERFORMANCE REPORT (Continued)

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

Technology

- Loss of data or ICT services due to cyber-attack

Change:

- Inability to maintain quality standards
- Local Authority curriculum delivery variations with related funding/Credit, structural and strategic implications

Productivity:

- Failure to deliver SFC Credit target

Environmental:

- Failure of the external cladding system at the Motherwell Campus of NCL due to defects
- Disruption to College business due to COVID-19 pandemic

Student Experience:

- Failure to maintain and improve learner retention and achievement.

*** In addition to the above, the Audit & Risk Committee previously designated Brexit as a “Risk Under Observation.”

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Chief Officer's Statement on Performance

The Academic Year 2020/21 presented significant challenges for the Colleges and for the sector as a whole as a result of the on-going COVID-19 pandemic. However, despite the turbulence in the operating environment, South Lanarkshire College (SLC) and New College Lanarkshire (NCL) remained fully committed to the delivery of educational programmes that meet the needs and expectations of our students, employers and the communities that we serve.

Our shared over-arching Institutional priority for the year was to protect the health and safety of our students and staff. Ever-guided by the direction provided by the Scottish Government's Public Health experts, both colleges worked in close and effective collaboration with our Trade Union colleagues to devise an effective and flexible delivery plan that responded swiftly and efficiently to the complexities of regional COVID-19 restrictions and national lockdowns.

The uncertainties associated with COVID-19, (such as those related to delayed and staggered course start-dates, restrictions on placements and person to person contact), gave rise to significant challenges for student recruitment, retention and course completion. The Colleges welcomed the Sustainability Fund support from the Scottish Funding Council (SFC) which inter-alia supported the delivery of an intense programme of additional teaching support that ensured that very significant numbers of students successfully completed their studies and secured their qualifications on time. Furthermore, the SFC's commitment to guaranteeing funding for Core Credit Delivery was also important for the Colleges given, in particular, New College Lanarkshire challenge in meeting the core credit target.

The disruption of COVID-19 to on-campus delivery was unrelenting throughout the year and this had a significantly detrimental impact upon many of both Colleges' income streams, particularly those associated with catering, student accommodation and the delivery of fee-earning programmes to industry partners. Consequently, the Colleges utilised the UK Government's Coronavirus Job Retention Scheme by furloughing staff in areas disrupted by COVID-19.

At New College Lanarkshire, beyond the detrimental impact of COVID-19 on the life of the College, significant progress was made with respect to securing a new strategic direction for the Institution. After a period of extensive stakeholder consultation, a new purpose, mission and set of values was secured. In our new purpose we advocate social justice, enable whole person education and partner to release potential within our communities. With a mission to bring education closer, our new values are founded upon being just, giving our all, being kind, bold, mutually respectful and giving more than we take.

In Session 2020/21, NCL adopted Strategy 2025, and this is comprised of five core dimensions that will strengthen the curriculum, expand our education reach, develop partnerships to support growth, simplify how we work and ensure that we prioritise resource to be close to the student. In the years that follow, the five dimensions will inform and shape our resource priorities and investment decisions. In order to facilitate the effective delivery of the new strategy, a restructuring of the Executive Board and Senior Academic Leadership Team commenced near the end of the academic year which was supported by a voluntary severance scheme. The re-shaping of the College structure will continue into the next academic year.

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Chief Officer's Statement on Performance (Continued)

I am pleased to report that the session also marked the further advancement of the reputation of NCL through the receipt of important awards for our Business Hub and for our Digital Construction programmes. I was delighted to sign a Shared Goals Agreement with Microsoft for NCL which will give our students the advantage of access to Microsoft's expertise and resources in order to enhance their skills, knowledge and career prospects.

At the Motherwell campus of NCL, we celebrated the launch of Smart Hub Lanarkshire, an initiative between the College, North Lanarkshire Council and the University of Strathclyde. Home to a robotics and automation training facility, Smart Hub Lanarkshire is a dedicated space for SMEs to meet, learn and access business support and academic expertise.

New College Lanarkshire has long been one of the UK's most active Colleges in the area of international student exchange. In order to mitigate against the detrimental impact of the United Kingdom's withdrawal from the European Union upon this important dimension of the NCL student experience, the College has focused upon the development of new strategic international academic partnerships. This year, we signed a Memorandum of Understanding (MOU) with Niagara College in Canada. The partnership will provide NCL students and staff with the opportunity to benefit from best practices in Canada's applied education system, with a particular focus upon sustainability. The College was one of three in Scotland to receive funding from the Turing Scheme, securing an award of £64k to support students and staff to engage in educational visits to Niagara College in 2022.

During the period under review, I am pleased to highlight the new and important developments at South Lanarkshire College. It is particularly noteworthy that many of the developments have emerged as a result of successful (and often highly innovative) external partnerships and these serve as a testament to the college's strong commitment to enhancing student opportunity through a focus upon stakeholder engagement. It is important to recognise that these advances have emerged against the backdrop of significant pandemic-related turbulence and this difficult context makes these advances all the more impressive.

In recognition of SLC's academic discipline strengths, the College has led on national developments of NextGen HNC qualifications, in areas such as Childhood Practice and Horticulture, (the latter of which has emerged in collaboration with the University of the Highlands and Islands). In partnership with the University of Glasgow, the Life Sciences team at SLC has developed an HNC in Applied Science programme and the course affords SLC students the opportunity to articulate directly into the second year of undergraduate Life Sciences degree programmes at the University.

Further extending their alliances with important industry partners, South Lanarkshire College has worked closely with leading employers to establish an innovative External Wall Insulation Academy that is focused upon staff development and career enhancement. Partnering with the Compass Catering Group, the college's Professional Cookery and Hospitality students have accessed a range of outstanding industry experiences that have subsequently yielded excellent job opportunities. A notable outcome supported by this particular partnership is the opportunity to cater at top-tier events and allows SLC students to cater for world leaders, such as Presidents Biden, Obama, Macron and Trudeau at the Cop26 Climate Change conference in Glasgow.

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Chief Officer’s Statement on Performance (Continued)

Continuing the sustainability theme, and as demonstrated by the college’s commitment to net-zero climate emissions, SLC has prioritised the development of expertise in renewable energy and has prioritised a focus upon heat pump installation within this arena. This development is aligned to the Glasgow City Region’s economic action plan to reduce carbon emissions. It is the college’s intention to develop and deliver of high quality training for stakeholders in the next academic year.

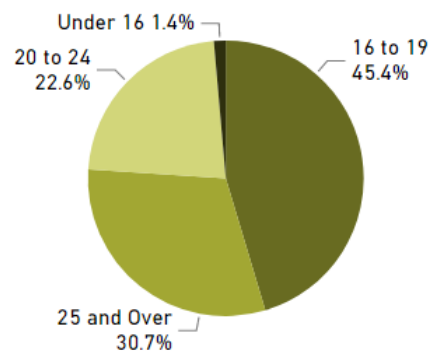
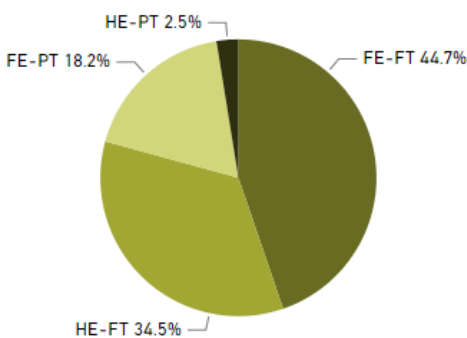
I am very pleased to note that SLC is one of four pilot Institutions in Scotland (the others being Strathclyde University, the University of St Andrew’s and Glasgow Clyde College), for the new Emily Test Gender Based Violence Charter. The Emily Test is an important initiative intended to improve prevention, intervention and support for those affected by gender-based violence (GBV) in the further and higher education sectors. Furthermore, recognition for a fourth time by the National Centre for Diversity, in the form of the Leaders in Diversity Award serves to highlight the College’s ongoing commitment to making Equality, Diversity and Inclusion a hallmark of the institution’s culture and way of operating. I take this opportunity to congratulate the whole college community and the cross-college Accreditation Working Group for their pioneering work in this important area.

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

Learning and Teaching Performance

In respect of the volume of learner activity provided, the Colleges against their SFC core funded target delivered 116,442 Credits by NCL and 43,816 Credits by SLC, totalling 160,258 SFC funding Credits (the SFC’s unit of measure for learner activity). This was 10,287 SFC funding Credits under the target of 170,545 entirely due to NCL; SLC having met its Core Credit target in full. The Colleges also delivered an additional 5,714 ESF Credits by NCL and 5,676 ESF Credits by SLC, totalling 11,390 ESF - SFC funding Credits against a target of 11,099; NCL meeting target and SLC surpassing target by 291. The Colleges provided places for 11,443 Full-time Equivalent (FTE) learners.

11,443 FTE Learner Places

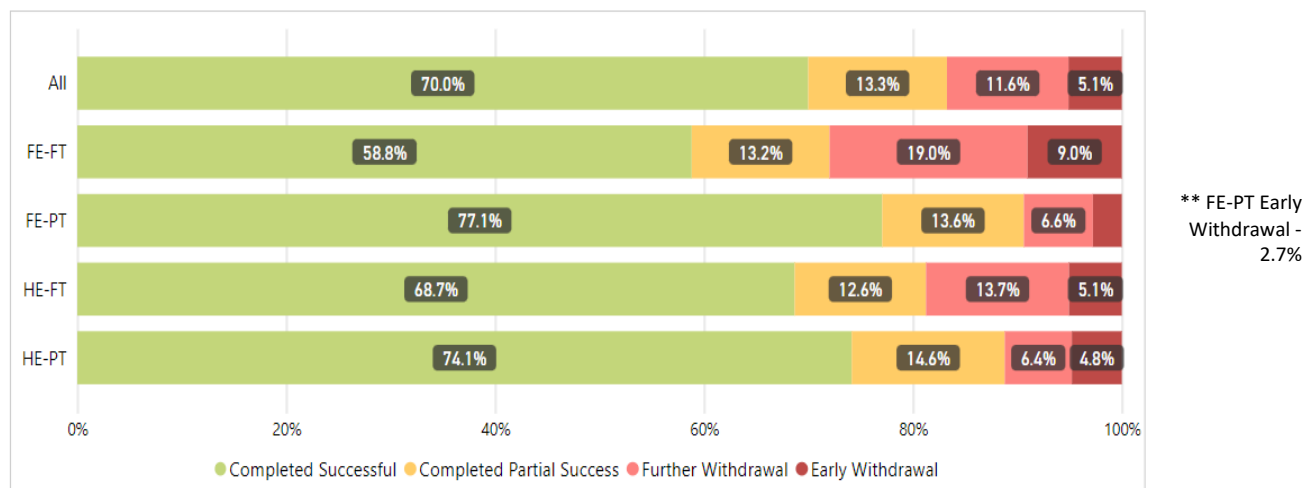


PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Learning and Teaching Performance (Continued)

Lanarkshire Region Key Performance Indicators



83.3% of all learners complete their programme of study with 70.0% of all learners achieving their programme aim. FEFT, being the largest proportion of our provision, sees 72.0% of learners complete their programme of study with 58.8% of learners achieving their programme aim. Strategies to improve student retention have been successful, with student withdrawal rates overall lower than the previous year. However, the COVID-19 pandemic impacted negatively on success rates, particularly in vocational subject areas where continued delivery and assessment of practical skills proved extremely challenging. Frameworks and strategies continue to embed themselves, supported by a consistent vision and shared culture and determination to deliver an improvement in performance for the future. (Tabulated and charted figures are subject to rounding).

A great deal is known about the extensive influences of poverty on a student's learning and progression; however, this does not lead to lower expectation, but the need to take mitigating actions. Within the constituency of Motherwell and Wishaw the percentage of families with children in receipt of universal credit or working tax credits is 41%¹, however some of the scaffolding put in place included the purchase of additional laptops to ensure that digital poverty did not impact on learning.

The College continues to address the needs of those disadvantaged in the labour market. Within North Lanarkshire, 13.6% of North Lanarkshire's working age population (aged 16 to 64) have no formal qualifications (2017)², and 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. The Scottish average for adults with no formal qualifications is of 8.7%³.

If it hadn't been for the pandemic several students would have undertaken placement opportunities both locally and in Europe.

¹ [Poverty in Scotland 2021 | JRF](#)

² [The Plan for North Lanarkshire](#)

³ [Scotland's Future Skills Action Plan \(stf.org.uk\)](#)

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Learning and Teaching Performance (Continued)

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

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

Delivery Performance

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

The Colleges’ performance with respect to delivery is primarily analysed through the following indicators: The volume of learner activity provided; 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 <https://www.sfc.ac.uk/nmsruntime/saveasdialog.aspx?IID=20174&sID=12335> 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 Analysis (Continued)

Key Priority National Measures – Analysis

SFC funded Credits delivered in AY 2020/2021;

The Colleges delivered 160,258 SFC funding Credits (the SFC's unit of measure for learner activity) which was 10,287 SFC funding Credits under the target of 170,545, entirely due to NCL; SLC having met its Core Credit target in full. They also delivered an additional 11,390 ESF - SFC funding Credits against a target of 11,099, NCL meeting target and SLC surpassing target by 291. The Colleges provided places for 11,443 Full-time Equivalent (FTE) learners.

Source: SFC's Further Education Statistics (FES)

Volume and proportion of the SFC funded Credits delivered to learners in the 10% most deprived postcode areas (SIMD 10) in AY 2020/2021;

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

The Lanarkshire Colleges delivered 18.3% in AY 2018/2019; 18.5% in AY 2019/2020; and 18.6% in AY 2020/2021; of all the SFC funded learner activity to learners from the 10% most deprived postcode areas (SIMD 10) in Lanarkshire. For AY 2020/2021, NCL delivered 18.4% and SLC delivered 18.9% of activity to learners from these postcode areas.

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

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

Proportion of enrolled students successfully achieving a recognised qualification in AY 2020/2021;

70.0% of all Regional Learners achieved a recognised qualification in AY 2020/2021.

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

For AY 2020/2021 the combined Lanarkshire regional proportion of FEFT success is 58.8%, which is below the historic broad national parameters. For HEFT the combined success rate for Lanarkshire is 68.7%, which is below historic national figures.

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

Proportion of enrolled students successfully achieving a recognised qualification in AY 2020/2021 (Continued)

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

Lanarkshire's Colleges are committed to making changes to ensure they optimise positive outcomes and the drive towards improving both retention and achievement are high priority strategic objectives which percolate through all operational, business and action planning for AY 2021/2022 and beyond.

Source: SFC's Further Education Statistics (FES)

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

Lanarkshire Colleges have supported an increasing number of learners who have achieved HNC or HND qualifications articulating to degree level courses with advanced standing from 326 learners in AY 2016/2017 to 409 learners In AY 2018/2019. For AY 2019/2020, the volume of learners articulating to degree with advanced standing reduced to 346, which is in line with an overall reduction across the college sector. Prior to last year this has been a very positive trend and a significant contribution to this Scottish Government aspiration.

Source: SFC's National Articulation Database. Statistics for AY 2020/21 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;

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

Source: SFC's College Leaver Destinations 2019/2020. Statistics for AY 2020/21 were unavailable at the time of publication.

PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

As discussed earlier under *Proportion of enrolled students successfully achieving a recognised qualification in AY 2020/2021*, this destination data must be considered in parallel to gain appropriate understanding of performance against Scottish Government outcomes and ambition.

89.1% of learners who leave Lanarkshire’s Colleges with their chosen qualification move on to further study or employment, 4.3% below the national average. This confirms that the teaching and learning in our colleges contributes significantly to the success of individuals and the economy.

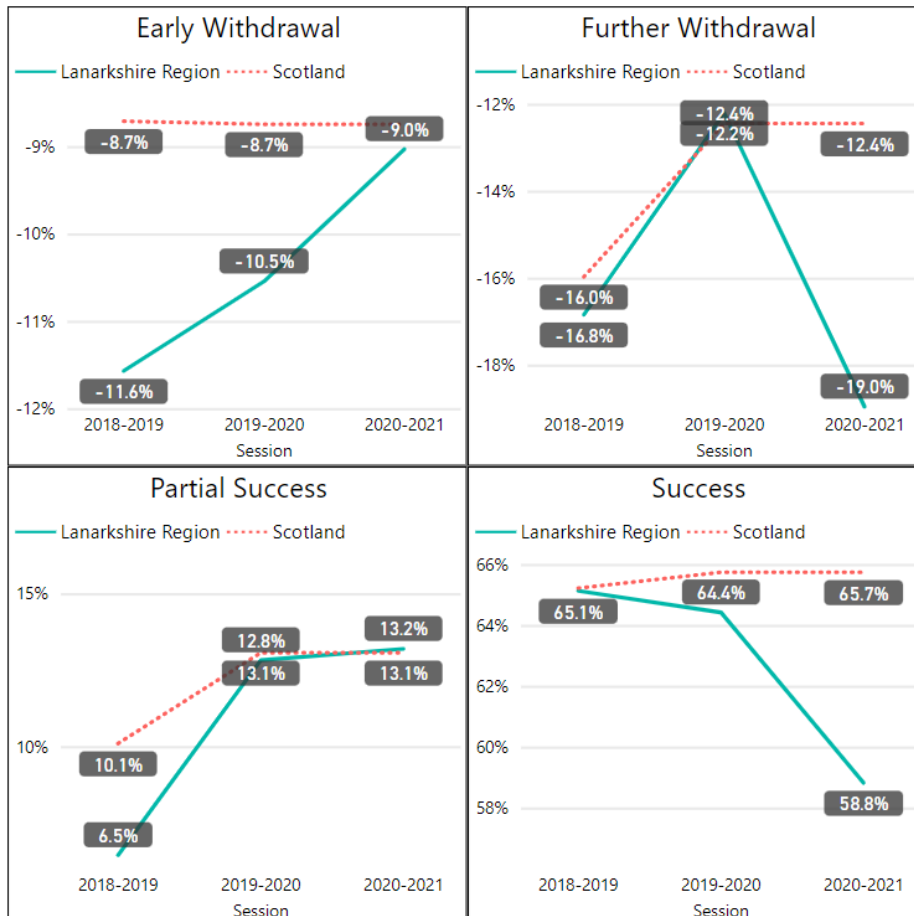
SFC’s Four Priority College Key Performance Indicators - Analysis

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

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

FEFT performance has declined for 2020/2021. Success rates dropped by 5.6% to 58.8% for 2020/2021, due to the increase in the further withdrawal rate to 19.0%. Early withdrawal rates continue to improve to their lowest level at 9.0%. The Lanarkshire Colleges have set out strategies and frameworks to prioritise improving FEFT performance.

FE Full-Time Performance



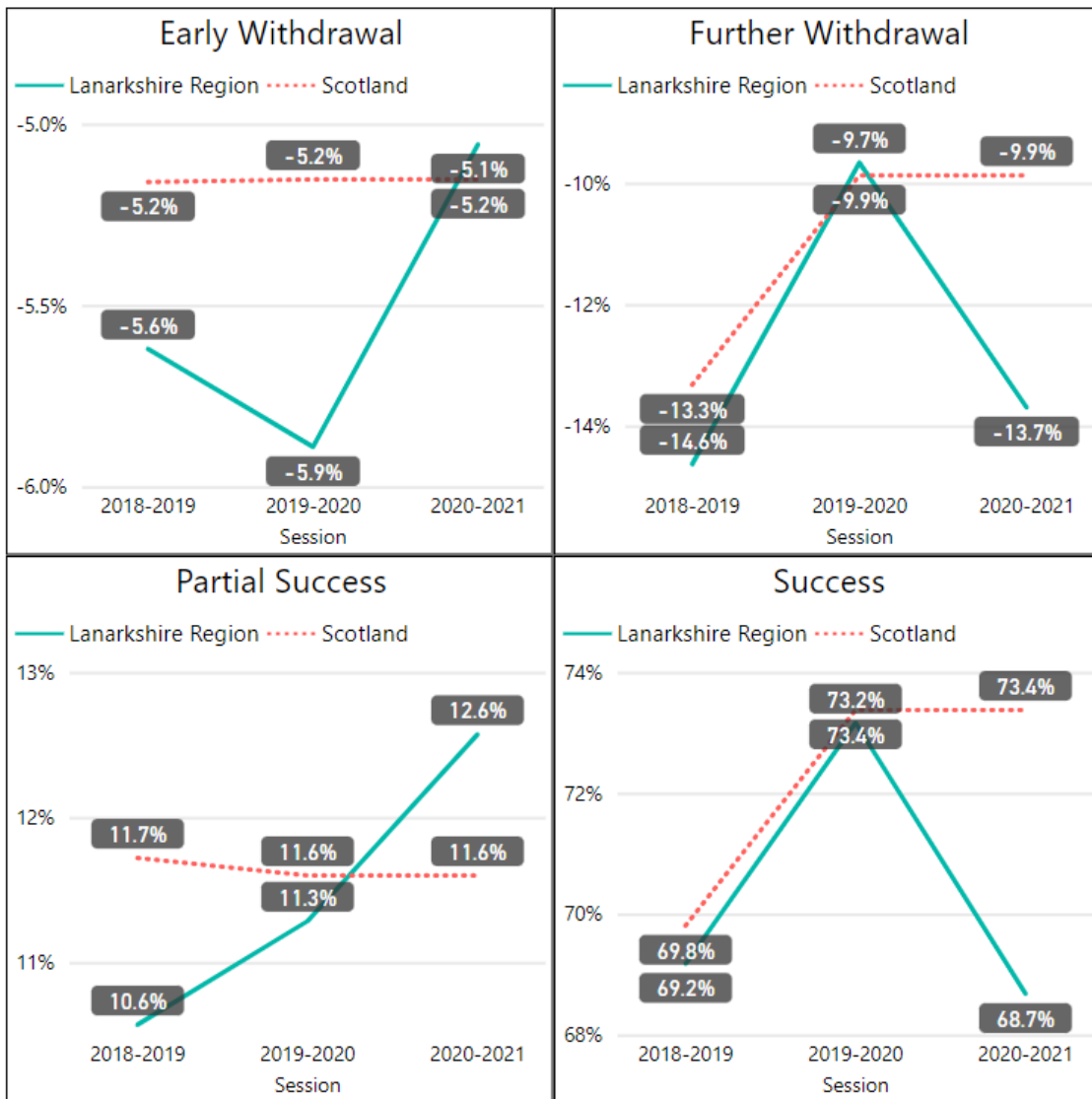
PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

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

HEFT shows a decrease in performance for 2020/2021 dropping to 68.7%, down by 4.5% on the previous year. Early withdrawal rates improved slightly by 0.8%, however further withdrawal increased significantly by 4.0%. Frameworks and strategies are in place to target learner withdrawal and achievement, which are clearly delivering a positive change for success rates.

HE Full-Time Performance



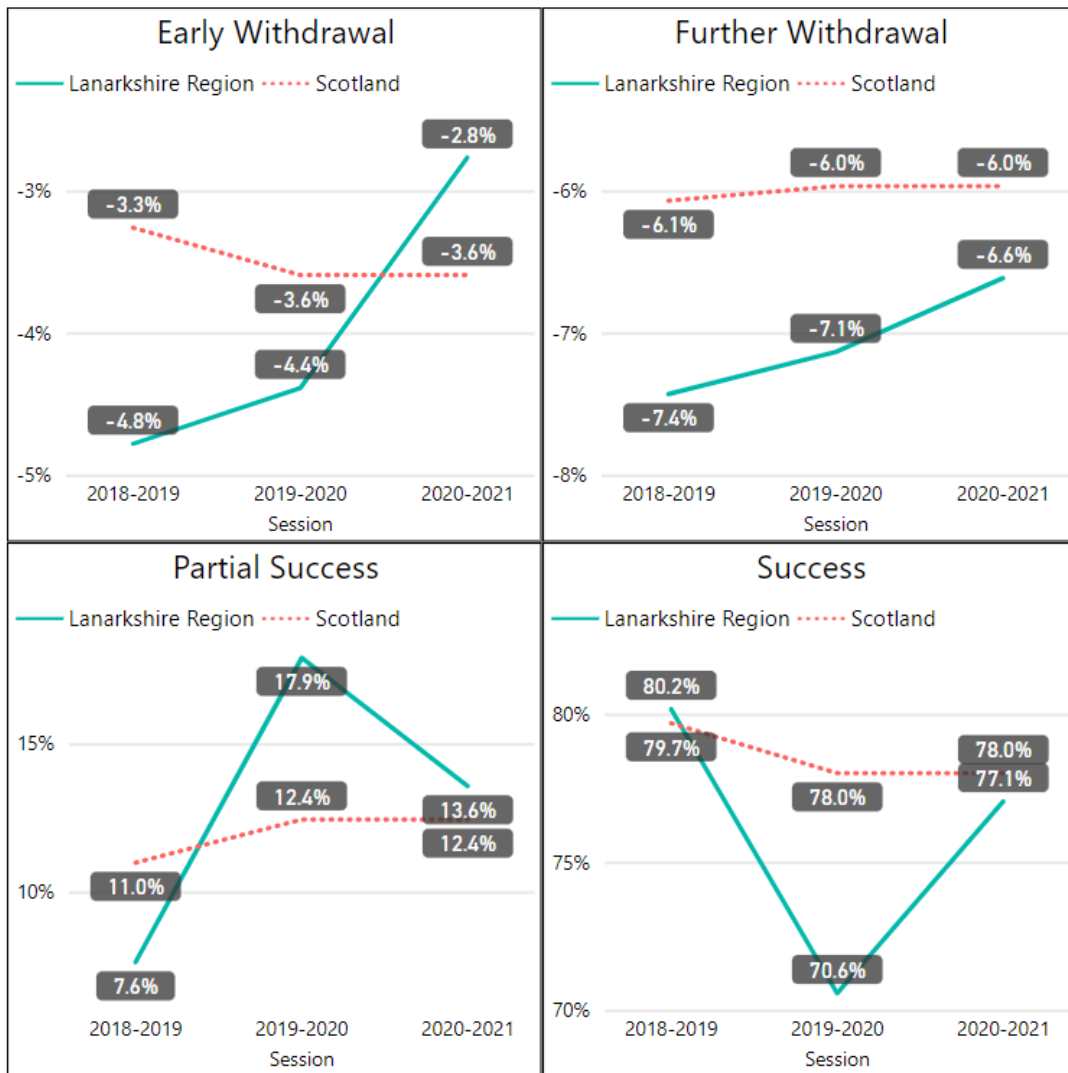
PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

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

FEPT performance improved for 2020/2021. Success rates increased by 6.5% to 77.1%. Early withdrawal rates reduced to the lowest level in three years to 2.8% and further withdrawal rates improved by 0.5%. The Lanarkshire Colleges have set out strategies and frameworks to prioritise improving FEPT performance.

FE Part-time Performance



PERFORMANCE REPORT (Continued)

Performance Analysis (Continued)

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

HEPT performance shows a negative trend. Early withdrawal rates have improved in 2020/2021 by 0.6%, however further withdrawal rates have increased by 0.3%. Partial success increased significantly by 6.7%, resulting in success rates decreasing by 6.5% and below the national average success rate.

HE Part-time Performance



Performance Analysis (Continued)

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

Review Process

"How Good Is Our College?" (HGIOC) is the 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. Progress visits were planned for session 2019/20, however due to the suspension of face to face teaching, the visit at New College Lanarkshire did not take place as scheduled. The COVID-19 pandemic produced several challenges and all colleges had to adapt to new ways of planning, delivering and engaging in learning activities.

Given that there was no on-campus engagement with Education Scotland nationally between March and April 2021, HM Inspectors of Education (HMIE) engaged remotely in professional dialogue with 495 college staff and managers, and 180 learners from all colleges in Scotland to develop a national overview of practice in the delivery of remote learning. The purpose of this overview report is to:

- outline the learner and staff experience of remote learning and teaching during the pandemic;
- highlight what is working well and share this widely to celebrate success;
- surface the challenges in delivering of remote learning in colleges; and
- identify aspects for improvement of the quality and effectiveness of delivery of remote learning.

The report "Remote learning in Scotland's Colleges" published in June 2021 concluded that Colleges had responded well to the demands of moving their curriculum online and delivering learning and teaching remotely.⁴ Alongside this report, "Remote learning in Scotland's Colleges: comments and cameos"⁵ featured New College Lanarkshire exemplifying how the College had undertaken assuring the quality of remote learning and teaching using the Education Scotland and SPARQS COVID-19 recovery support materials to inform approaches and to help class and subject reps gather views from their peers. This 'Partnership Initiative in a College' was also recognised as award winning at the SPARQS Student Engagement Awards.⁶

⁴ [Remote learning in Scotland's Colleges \(education.gov.scot\)](https://www.education.gov.scot/publications/remote-learning-in-scotland-s-colleges/)

⁵ [Remote learning in Scotland's Colleges \(education.gov.scot\)](https://www.education.gov.scot/publications/remote-learning-in-scotland-s-colleges/)

⁶ [sparqs Student Engagement Awards 2021 headline](https://www.sparqs.gov.scot/news/sparqs-student-engagement-awards-2021-headline/)

Performance Analysis (Continued)

Education Scotland's endorsement of College evaluation by HM Inspectors of Education on behalf of the Scottish Funding Council – Analysis (Continued)

Review Process (Continued)

Apart from this national activity New College Lanarkshire also compiled a report – “Supporting Improvement in a New Context” using the following themes:

- Digital infrastructure that enables learning and teaching to take place in college and off campus;
- Supporting staff and learners to adjust to changes to the curriculum (delivery);
- Engagement with employers and stakeholders to ensure the curriculum meets changing local and regional needs;
- Access to services to support learning and learners;
- Learner transitions into and out of college programmes;
- Assessment (on and off campus);
- Determining future curriculum;
- Arrangements to reflect on and evaluate progress made in relation to learning, teaching and assessment, learner support and learner transitions.

The four priority KPIs published by the SFC involving outcomes for FE and HE, part-time and full-time activity shows that the overall performance has reduced, although the Lanarkshire region faced significant challenges to deliver student activity during the height of the COVID-19 pandemic. 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.

PERFORMANCE REPORT (Continued)

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 2021, New College Lanarkshire made a deficit of £7,617k before other gains and losses on a turnover of £53,339k. New College Lanarkshire's underlying operating position was £1,892k deficit (2019/20 £162k deficit), £1,608k of the deficit relates to ESF income not achieved due to the non-delivery of SFC core credits. Amcol Scotland Limited made a surplus of £300k before other gains and losses on a turnover of £3,344k net of intercompany transactions. Amcol's underlying operating surplus was £331k (2019/2020 £183k surplus). South Lanarkshire College made a surplus of £356k before other gains and losses on a turnover of £18,991k net of intercompany transactions. South Lanarkshire College's underlying operating surplus was £1,604k (2019/2020 £316k).

In the year to 31st July 2021, the Regional Strategic Body generated an underlying operating surplus of £45k, 0.05% of Total Expenditure (2019/2020 – surplus of £337k, 0.4% of Total Expenditure), as detailed overleaf.

PERFORMANCE REPORT (Continued)

Financial Performance (Continued)

Underlying Operating Position

	Region 2021 £'000	College 2021 £'000	Region 2020 £'000	College 2020 £'000
(Deficit) before other gains and losses	(6,960)	(7,617)	(5,036)	(4,523)
Add back:				
- Depreciation (net of deferred capital grant release)	2,108	1,814	1,884	1,605
- Impairment of Assets on Revaluation	61	61	-	-
- Pension Adjustment – FRS102 Staff Cost Adjustment	4,249	3,371	3,078	2,428
- Pension Adjustment – Net Interest Cost	518	415	360	283
- Non-cash early retirement adjustments	69	64	51	45
Deduct:				
- Non-Government capital grants	-	-	-	-
- Revenue funding allocated to loan repayments (from Cash Budget for Priorities)	-	-	-	-
- Exceptional re-structuring cost - Strategic Grant	-	-	-	-
Underlying operating surplus (deficit)	<u>45</u>	<u>(1,892)</u>	<u>337</u>	<u>(162)</u>
% of Total Expenditure	<u>0.05%</u>	<u>-3.1%</u>	<u>0.4%</u>	<u>-0.3%</u>

The College (NCL) plus its direct subsidiary Amcol made a combined Underlying Operating Surplus of £48k (2019/2020 £21k) before the clawback of ESF Funds due to failure to meet core Credit delivery, (refer to Performance Analysis SFC funded Credits delivered in AY 2020/2021).

Review of Regional Cash Budget for Priorities Spend for year ended 31st March 2021

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 2020/2021, this meant that the Regional Strategic Body received cash of £1,060k (2019/2020 £1,060k) which had been earmarked against net depreciation, impacting upon the Consolidated Statement of Comprehensive Income and Expenditure. Without approval to spend this cash it would have 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.

PERFORMANCE REPORT (Continued)

Financial Performance (Continued)

Review of Regional Cash Budget for Priorities Spend for year ended 31st March 2021 (Continued)

The impact of the above has contributed £1,060k as a cost before other gains and losses for the 2020/2021 accounting year (2019/2020 £1,060k). However the Scottish Funding Council has confirmed (in its letter to the sector on 30th March 2015) that a deficit resulting from a College following its 30th January 2015 guidance should be treated as a “technical” deficit and should not be interpreted, on its own, as a challenge to a College’s ongoing financial sustainability. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for Cash Budget for Priorities depreciation does not constitute an underlying financial sustainability concern. The impact on the operating position is detailed below.

	<u>2021</u>	<u>2020</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	659
Total impact on RDEL operating position	<u>1,060</u>	<u>1,060</u>
<u>Capital</u>		
Loan Repayments – Lennartz Repayment	<u>-</u>	<u>-</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 2021 have been incorporated in the Regional Financial Statements.

Consolidated Income for the year was £75,418k, 22.6% of which was non SFC Income (2019/2020 £73,244k, 22.9%). The Regional Strategic Body has accumulated consolidated reserves of £74,873k (2019/2020: £51,672k) and net cash balances/loans/overdrafts of £14,347k (2019/2020: £7,642k).

Regional Financial Performance Indicators

	2021	2020
Current Assets : Current Liabilities	0.9:1	0.8:1
Days Cash	73	40

These indicators reflect some stability in the ongoing financial performance.

	NCL	NCL	Amcol	Amcol	SLC	SLC
	2021	2020	2021	2020	2021	2020
Current Assets : Current Liabilities	0.7:1	0.7:1	6.8:1	6.9:1	1.5:1	1.1:1
Days Cash	67	34	137	104	76	41

Financial Performance (Continued)

At 31st July 2021 NCL holds Student Support Funds of £3,397k to be repaid to the SFC (2020 £1,262k) and SLC holds £450k (2020 £360k). NCL holds £996k for voluntary severance payments after 31st July 2021 (2020 £Nil).

Going Concern Statement

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

Payment Practice Code

The RSB complies with the CBI Prompt Payment Code and has a policy of paying suppliers by the end of the month following the date of invoice or supply, unless the invoice is disputed. It is also RSB policy to resolve disputes and complaints as quickly as possible. The level of creditors in terms of the proportion of the period end creditors to the aggregated invoiced amounts during the period was 13 days (2019/2020: 9 days). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Environmental Sustainability

The New College Lanarkshire (NCL) Estates Strategy (2018-2023) commits NCL to Develop sustainable management practices and outcomes by working towards achieving the following objectives –

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

Through delivery of these objectives NCL commits to addressing sector and national environmental and social sustainability challenges, as we recognise we have a significant role to play in supporting the Government’s Greener Scotland strategic objectives. We 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. The College commits to implementing a robust Carbon Action Plan that will set NCL’s sustainable ambitions and targets to address the environmental impact of our activities through planned sustainable practices, and which commits NCL to completing and supporting both the ‘Required’ and ‘Wider Influence’ sections of the PERFORMANCE REPORT (Continued)

Environmental Sustainability (Continued)

Public Bodies Climate Change Duties (PBCCD) Reporting tool. NCL had an active presence at COP26 and remains fully committed to its obligations around environmental sustainability.

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

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

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

The 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.

Ronnie Smith,
Chair of the Lanarkshire Board.

Professor Christopher Moore,
Principal and Chief Executive,
New College Lanarkshire, Chief Officer,
Regional Strategic Body.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

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 2020 to 31st July 2021 and also includes any developments in the period up to the signing of the Financial Statements.

Historical Background

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

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

Senior Managers Attending the Board

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

The NCL Vice Principals have attended the Board and Committee meetings as did the Assistant Principal Organisational Development and the Assistant Principal Planning and Informatics. The NCL Head of Estates has attended meetings of the Resources and General Purposes Committee and the NCL Assistant Principal Learning and Teaching has attended meetings of the Curriculum, Student Affairs and Outcomes Committee (CSAO). The Depute Principal of SLC has attended meetings of the CSAO Committee and the Board - the last meetings attended were the 7th September and the 5th October 2020. The SLC Head of Finance has attended the Board and the Finance and Audit Committees.

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

Board of Management Report (Continued)

Senior Managers Attending the Board (Continued)

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

- Chief Financial Officer – Finance, Audit and Risk, RGP and the Board appointed from the 2nd August 2021.
- Chief Transformation Officer – Audit and Risk, RGP, (as required Finance) and the Board appointed from the 2nd August 2021.
- Assistant Principal: Education and Student Success – CSAO Committee and the Board appointed from the 2nd August 2021.
- Dean for Staff Development Academy – CSAO Committee appointed from the 2nd August 2021.
- HR Business Partner – Restructuring - the RGP Committee and the Board. This post holder was appointed as College Registrar on 29th November 2021.

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

Following this recommendation, there were discussions within the Lanarkshire region between the Colleges and with Auditors, the SFC and the Scottish Government and a transition plan was set out. As part of the process of transition, it was agreed with the SFC that the Lanarkshire Board would move to having NCL only Committees from January 2021 with SLC reporting from its Committees and its Board directly to the Lanarkshire Board meetings. This was agreed at the 14th December 2020 meeting of the Lanarkshire Board and SLC Board Members and senior staff have not attended Lanarkshire Board Committee meetings since the November/December 2020 Board cycle apart from the SLC Principal attending the Lanarkshire Board ARC for the Item on the Regional Risk Register (attending the February and May meetings). This was intended to be an interim arrangement until dissolution in July 2021. The dissolution has been delayed and governance issues have emerged at SLC. The Chair of the Lanarkshire Board set out at the Board meeting on the 4th October 2021 that this arrangement would need to be reviewed given governance issues. Following this meeting, the Chairs of the Audit and Risk Committees (ARC) are intending to attend each other's meetings going forward. SLC has put an audit Assurance Framework in place with monitoring reports going to the Lanarkshire Board ARC and a Governance Improvement Plan (GIP) with updates going to the Lanarkshire Board ARC and to the Board.

Changes to Board Members in 2020/2021

Student Elections: Student elections were held in May 2020 and Kathleen-Anne Fannan was elected as the Student President at NCL and Gemma McClarence was elected as the Student President at SLC with appointments coming into effect from the 1st July 2020. The annual student elections were held in May 2021 and two new Student Presidents were appointed from the 1st July 2021 – Kellyann McGraith for NCL and Gemma McClarence for SLC. Gemma McClarence will be on leave from October 2021 and the SLC Student Vice President Alan Mackie will attend Lanarkshire Board meetings from October 2021.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

Changes to Board Members in 2020/2021 (Continued)

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

Board Resignations: Matthew O'Hare did not renew his term and left the Board on the 31st January 2021.

Board Renewal of Term: Dave Winning's term has been extended for a further term of 4 years and this was agreed by the Scottish Ministers by letter to the Chair of the Board on the 21st January 2021. (See section on the Nominations Committee)

Membership of the Lanarkshire Board

The members of the NCL Board of Management, pursuant to the Further and Higher Education (Scotland) Acts 1992 and 2005, the Post-16 Education (Scotland) Bill 2013 and the Lanarkshire Colleges Order 2014, who served during the period from the 1st August 2020 to 31st July 2021 are set out below. This table also covers changes to the signing of the Financial Statements.

The Board Members of the Lanarkshire Board:

Changes During Reporting Period

<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	
Jean Carratt	SLC Teaching Staff Member	12 th September 2016	30 th September 2021
Lorraine Cowan	NCL Teaching Staff Member	30 th April 2019	
Dianne Dixon	Board Member	13 th March 2019	
Anne Doherty	SLC Support Staff Member	1 st October 2021	
John Elliot	Board Member	27 th August 2015 Term renewed by Scottish Ministers for four years from 28 th August 2019	
Kathleen –Anne Fannan	NCL Student President	1 st July 2020	30 th June 2021
Yvonne Finlayson	Board Member and Chair of the Audit & Risk Committee from 2 nd September 2019	13 th March 2019	

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

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>
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	SLC Support Staff Member	12 th September 2016	30 th September 2021
Paul Hutchinson*	Acting SLC Chair	30 th November 2021	
Moira Jarvie	NCL 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 SLC Board. Appointed to the Board 25 th May 2018	25 th May 2018	
Alan Mackie	SLC Student Vice- President – stepping in for Gemma McClarence who is on leave.	October 2021	
Gemma McClarence	Student President at SLC	1 st July 2020 Re-elected May 2021	On leave from October 2021.
Michael McGlynn	Board Member	25 th October 2019	
Kellyann McGraith	NCL Student President	1 st July 2021	
Liz McIntyre *	Acting SLC Principal	16 th December 2021	
Aileen McKechnie *	SLC Principal	2 nd March 2020	
Ryan McRobert	Board Member	13 th March 2019	
Professor Christopher Moore	NCL Principal and Chief Executive. Chief Officer of the Regional Strategic Body	11 th November 2019	
Matthew O'Hare	Board Member	31 st January 2017	Left the Board on the 31 st January 2021
Barbara Philliben	Board Member	25 th October 2019	
Alastair Rennie	Board Member	25 th October 2019	
Cheryl Robertson	SLC Academic Staff Member	1st October 2021	Resigned 15 th December 2021
David Winning	Board Member – Chair of the CSAO Committee from 13 th November 2017	31 st January 2017 Term extended by 4 years by Scottish Ministers from 1 st February 2021	

* Paul Hutchinson the Acting Chair on the 30th November 2021 and Liz McIntyre became Acting Principal on the 16th December 2021, see page 39.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

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 2020 prior to the Board discussion of the accounts on 21st March 2022 as follows: 5th October 2020, 9th November 2020, 14th December 2020, 22nd March 2021, 14th June 2021, 4th October 2021 and 13th December 2021. Matthew O'Hare attended 100% for three meetings before he left the Board on the 31st January 2021.

Attendance Rate		
No of Board Members Attending	No of Meetings Attended	% Attendance
16	7	100%
3	6	86%
2	4	57%

Lanarkshire Board Committee Structure and Attendance

The Lanarkshire Board has formally constituted Committees which have specific terms of reference and act with delegated authority from the Board. SLC were represented at each Committee either through membership or being in attendance. SLC decisions from its own Board and Committees were reviewed at the respective equivalent Committee. Following the SFC Review of the RSB's and the recommendation to dissolve the Lanarkshire RSB, it was agreed by the Lanarkshire Board at its 14th December 2020 meeting that from January 2021 there would be NCL only Committees in anticipation of a dissolution date of the 31st July 2021. The transition plan and this date has now slipped and the new date is as yet not clear. The Board's key Committees and Members from 1st August 2020 for the period in question are:

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

The Committee met on the following dates: 7th September 2020, 7th December 2020, 22nd February 2021, 17th May 2021, 6th September 2021, 8th November joint meeting with Chairs' Committee) and 6th December 2021.

Attendance Rate		
No of Board Members Attending	No of Meetings Attended	% Attended
2	7	100%
2	5	71%

Finance Committee: Chair Kenny Anderson, Moira Jarvie, Paula Blackadder and Christopher Moore.

The Committee met on the following dates: 14th September 2020, 23rd November 2020, 7th December 2020, 1st March 2021, 19th April 2021, 24th May 2021, 29th June 2021, 13th September 2021 and 22nd November 2021.

Attendance Rate		
No of Board Members Attending	No of Meetings Attended	% Attended
2	9	100%
2	8	89%

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

Lanarkshire Board Committee Structure and Attendance (Continued)

Curriculum, Student Affairs and Outcomes (CSAO) Committee: Chair David Winning, Jean Carratt, Lorraine Cowan, Dianne Dixon, Rose Harkness, Christopher Moore, Aileen McKechnie, NCL Student President Kathleen-Anne Fannan and SLC Student President Gemma McClarence and Barbara Philliben.

The Committee met on the following dates: 7th September 2020, 16th November 2020, 22nd February 2021, 17th May 2021, 6th September 2021 and 15th November 2021.

Attendance Rate NCL Members		
No of Board Members Attending	No of Meetings Attended	% Attendance
4	6	100%
1	5	83%
1	4	67%

In addition, three SLC Board Members had a 100% attendance until they stopped attending the meeting in January 2021. One SLC Board Member missed a meeting putting their attendance to 50% (based on two possible meetings).

Resources and General Purposes Committee (RGP): Chair Keith Fulton, Christopher Moore, Barbara Philliben (as of 20th July 2020) and Michael McGlynn.

The Committee met on the following dates: 14th September 2020, 23rd November 2020, 1st March 2021, 24th May 2021, 13th September 2021 and 22nd November 2021. Attendance at this committee was 100% for five board members and 83% for one Board Member who missed one meeting.

Attendance Rate		
No of Board Members Attending	No of Meetings Attended	% Attended
3	6	100%
1	5	88%

Chairs' Committee: Chair Ronnie Smith, Kenny Anderson, Yvonne Finlayson, Dave Winning, Keith Fulton and Andy Kerr until January 2021. There were meetings on the 28th October 2020, 29th March 2021, 19th April 2021, 24th May 2021, 18th June 2021, 23rd June 2021, 8th July 2021, 19th August 2021, 14th September 2021, 16th September 2021 and 8th November 2021 (joint meeting with the Lanarkshire ARC). Andy Kerr had 100% attendance at the meetings he attended.

Attendance Rate		
No of Board Members Attending	No of Meetings Attended	% Attended
3	11	100%
2	10	90%

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

Lanarkshire Board Committee Structure and Attendance (Continued)

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

The Committee met on the 28th October 2020, 11th March 2021, 19th April 2021, 24th May 2021 and 8th July 2021. There was 100% attendance from two Board Members and two each missed a meeting putting their attendance at 80%.

Attendance Rate		
No of Board Members Attending	No of Meetings Attended	% Attended
1	5	100%
3	4	80%

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

The Boards Nominations Committee carried out a written procedure with between the 14 and the 18th January 2021 to nominate Dave Winning for a further term of 4 years. The Committee comprised Ronnie Smith, Keith Fulton, Andy Kerr and the Independent Chair from another region was on this occasion was Janie McCusker from the Glasgow Regional College Board (GRCB)

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 who claims an allowance for hours worked.

Related Party Transactions

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

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

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

Other than the above, the College had transactions with no other publicly funded, representative and other non-public bodies in which Board of Management members held official positions during the period to 31st July 2021. During the year, New College Lanarkshire entered into the following material transactions with the following Board Members, members of the Executive Board and other related parties:

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

Board of Management Report (Continued)

Related Party Transactions (Continued)

South Lanarkshire College

During the year ended 31st July 2021, South Lanarkshire College was charged £71k by New College Lanarkshire covering membership fee recharges and contributions to the costs of the Regional Board (£56k for the year 2020-21 and £16k relating to 2019-20). At 31st July 2021 £Nil had yet to be invoiced in relation to this recharge. At 31st July 2021, other than the above, SLC was a net debtor to the value of £20k.

Amcol Scotland Limited

During the year ended 31st July 2021, 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 2021, Amcol Scotland Limited provided the College with goods and services (including the provision of childcare to assist 93 incidents of placement) to a total value of £474k.

Rent and Service Charges payable to the College by Amcol Scotland Limited totalling £186k were paid in respect of the year ended 31st July 2021.

At 31st July 2021, Amcol Scotland Limited was a net debtor to the value of £Nil.

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

Personal Data Security

There were 14 known incidents of personal data breaches in 2020/2021 (6 incidents - 2019/2020). One of the 14 breaches was referred to the Information Commissioner's Office (ICO) based on the assessment of risk to the data subject(s). The ICO were satisfied with the steps taken by the College and advised that no further action was necessary. In each case, appropriate learning points were identified and acted on.

Estates Strategy

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

Regionalisation – Benefits and Regional Structure Review

Regional Benefits Summary Statement

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

Examples of what was achieved by the Lanarkshire Board include:

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

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

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

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

Board of Management Report (Continued)

Regional Structure Review

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

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

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

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

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

At the Lanarkshire Board meeting on the 4th October 2021 the Chair stated that these arrangements would be reviewed following the emergence of governance issues at SLC. The NCL ARC Chair subsequently attended the SLC ARC and the Chairs of both ARCs intend to attend each other's meetings going forward. An Audit Assurance Framework has been put in place by SLC and monitoring reports will be considered by the Lanarkshire Board ARC.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

Board of Management Report (Continued)

Disclosure of information to auditors

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

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

Ronnie Smith,
Chair of the Lanarkshire Board.

Professor Christopher Moore,
Principal and Chief Executive,
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.

Statement of the Board of Management's Responsibilities

The Lanarkshire Board is the Board of Management (BOM) for the Regional College, New College Lanarkshire (NCL). South Lanarkshire College (SLC) – the assigned College – has responsibility for its own governance. The Lanarkshire Board also has regional functions which are set out in the Statement of Corporate Governance and Control below. The statement of the BOM's responsibilities below refers to the Lanarkshire Board as the Board of NCL. The Board of South Lanarkshire College will approve the accounts and Board processes from SLC and give the Lanarkshire Board the assurances required for the consolidated accounts.

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the organisation and enable it to ensure that the Financial Statements are prepared in accordance with the Further and Higher Education (Scotland) Acts 1992 and 2005, the 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.

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

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

- Clear definitions of the responsibilities of, and the authority delegated to, the Board of Management and the executive;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income and expenditure, capital and cash flow budgets;
- Regular reviews of key performance indicators and business risks, and reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for the approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to detailed appraisal and review according to approval levels;
- Comprehensive Financial Regulations, detailing financial controls and procedures; and
- Professional Internal Audit Services whose annual programmes are approved by the Audit & Risk Committee and who provide the Audit & Risk Committee with a report on the internal audit activity within the organisation and an opinion on the adequacy and effectiveness of the system of internal control, including financial control.

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

Statement of Corporate Governance and Internal Control

The Region is committed to exhibiting best practice in all areas of corporate governance and internal control. This summary describes the manner in which the organisation has applied the principles in The UK Corporate Governance Code, published by the Financial Reporting Council in June 2018, The Turnbull Committee (Turnbull Guidance) and The Revised Code of Good Governance for Scotland's Colleges 2016. Its purpose is to help the readers of the Financial Statements understand how the principles have been applied.

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

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

Statement of Corporate Governance and Internal Control (Continued)

The key action in the Transition Plan for the RSB to undertake was to move to having NCL only Committees by January 2021 with SLC members no longer required to attend the Lanarkshire Board Committees. SLC reports from its Committees would now be made directly to the Board along with the SLC Board report. This was agreed with the SFC and with SLC and approved by the Lanarkshire Board at its meeting on the 14th December 2020. The external auditors were fully informed of this process. This meant that for the period August to December 2020 SLC Board Members attended the Lanarkshire Board Committees but for the period from January 2021 to October 2021 SLC reported through the Board.

However, during the course of 2021, the Transition Plan timetable with key actions from the SFC and the Scottish Government has been reprioritised and currently a revised dissolution date has not been finalised. As dissolution has not progressed as originally planned on 31st July 2021, the Lanarkshire Board retains its status and responsibilities as a Regional Strategic Body. The Lanarkshire Board will be reviewing its governance structure to ensure it can maintain effective oversight as an RSB during 2021/22.

Governance Issues 2020-21 Assigned College

SLC have reported the following in the **introduction to the Governance Statement** in their accounts for 2020-21:

“The College has recently appointed an Acting Principal and Acting Chair of the Board of Management. These temporary appointments have been made to cover a short period of absence from their duties of the substantive post-holders, to allow the Board to conduct two independent investigations which are not yet concluded. As a result, the governance statement will be overseen, approved and signed by the temporary post-holders.”

SLC have also highlighted the following under **Significant Issues**:

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

SLC goes on to state in the following section in the **Statement of Compliance with the 2016 Code of Good Governance**: The College complies with all of the principles of the 2016 Code of Good Governance for Scotland’s College with the exception of the following:

- Legal minimum membership and the Audit Committee (C8 and C13)
- Availability of Minutes and the services of a Clerk to the Board (C7 and D13)
- Induction (D19)
- Engagement with internal auditors (C14)

SLC is taking action to address these issues to ensure future compliance.

Action by the RSB to Support the Assigned College

The actions taken are set out below:

- Following an approach from the Chair of SLC to the SFC in early 2021, the SFC referred the SLC Chair to the RSB Chair for confidential advice and support which was provided.
- Following a separate approach from another source, the SFC commissioned a report in July 2021 on governance at SLC which was completed in August 2021. The RSB Chair received a redacted version of the report in August and the RSB received it in November 2021. The SFC asked the Chair of the RSB to progress the recommendations made in the SFC report. In order to progress the recommendations made in the SFC report, the RSB Chair had to facilitate the provision of two sets of separate legal advisors and investigators who were new to the issues raised: one set of legal advisors to work with him as the RSB Chair and the other to advise the Acting SLC Chair and the SLC Board.
- The legal advice to the RSB Chair set - out that SLC is a separate legal entity and charitable body in its own right. Therefore, the RSB Chair and Board could support SLC in a number of ways to try and progress matters, for example, by seeking out legal and other advice for the SLC Board and proposing processes. However, the decisions around whether or not to act on such support or advice lay solely with the SLC Board.
- The Chair of the RSB has been in constant contact with the SFC, the SLC Chair and Acting Chair and the SLC Principal and Acting Principal to expedite a resolution of the issues and this communication was and continues to be a considerable demand on his and the RSB support teams time. The Chair of the RSB has also regularly reported back to the SFC on the evolving situation.
- The RSB, at SLC's request, extended some members terms and re-appointed others at the Board meeting on the 22nd March 2021. It also expedited the appointment of new Board Members at its meeting on the 4th October 2021 approving appointments in principle subject to approval by the SLC Board when it met.
- The Chair of the RSB has been constrained by confidentiality by the SFC and legal process in what could be reported to the RSB in a dynamic, evolving and escalating situation. However, following receipt of the SFC report in August 2021, he has made regular reports and updates to the RSB Committees and Board.
- At the Lanarkshire Board meeting on the 4th October 2021 it was agreed that the transition arrangements would be reviewed to ensure the RSB is able to undertake the governance oversight it requires.

Agreed Actions Going Forward

- It was agreed that SLC will produce a Governance Improvement Plan (GIP).
- Updates on this plan (GIP) will come to meetings of the RSB ARC committee and to the Board.
- It was also agreed that the Chairs of both ARCs would attend each other's meetings.
- The SLC Principal and the Head of Finance will also attend meetings of the RSB ARC.
- An Assurance Framework has been put in place by the SLC ARC and monitoring reports will also be considered by the Lanarkshire Board ARC.
- The Chair of the SLC Finance Committee, the Principal and the Head of Finance will also attend the RSB Finance Committee.
- SLC attendance at the other RSB committees is under review.
- The RSB Chair and the RSB will continue to support the SLC Board as it moves to resolve the governance issues and reports will continue to be brought to the RSB Committees and to the Board.

The Lanarkshire Board Code of Good Governance

In the opinion of the Board of Management, the RSB complies with all provisions of The UK Corporate Governance Code and The Turnbull Guidance in so far as they apply to further education, and has complied throughout the period ended 31st July 2021. It is also the opinion of the Board of Management that the College and the RSB comply with The Revised Code of Good Governance for Scotland's Colleges 2016, and it has complied throughout the said period. Further, the Financial Memorandum with the SFC also requires compliance with the Scottish Public Finance Manual (SPFM) and the governance guidance therein. In the opinion of the Board of Management, the SPFM has also been complied with for the period ended 31st July 2021. The Internal Audit Report on Corporate Governance presented to the Audit & Risk Committee on the 20th May 2019 was "strong".

A College's Board of Management is responsible for the organisation's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The 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; said risks inter-alia being COVID-19, Financial and Operational Sustainability and the uncertain impact of Brexit. 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 Chairs' 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 Executive Board.

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.

The Executive Board receive reports and consider possible control issues brought to their attention by early warning mechanisms embedded within the operational units. The Executive Board and the Audit & Risk Committee also receive reports from internal audit, which include recommendations for improvement. The 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.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

The Lanarkshire Board Code of Good Governance (Continued)

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 2021 were £85k (2019/2020 £56k). South Lanarkshire College was recharged £71k of which £56k related to the year 2020-21 and £16k related to 2019-20 (2019/2020 £35k). The Scottish Funding Council provided £nil (2020 £nil) to offset these costs.

No member of the New College Lanarkshire or South Lanarkshire College Executive Teams received any payment in relation to Regional duties, other than reimbursement of expenses.

COVID-19 Statement

The Lanarkshire Board moved all its Committees and Board meetings on-line from April 2020 and is continuing with on-line meetings for the time being. All scheduled meetings in 2020 and 2021 have been held and the business of the Board conducted as usual with additional meetings of the Finance Committee and the Chairs' Committee. There have also been very successful on-line Board Strategy Sessions.

From a financial and operational perspective, the Colleges have managed to adapt to deliver courses for the students and have re-configured to deliver with a combination of on-line, blended learning and classrooms learning.

The Board is aware of the potential impact of COVID-19 in terms of Financial Sustainability and operational performance beyond 2020/21, exacerbating an already very difficult fiscal environment, and notwithstanding the uncertainty of the impact of Brexit. This remains, therefore, an area of concern to the Board which is monitored through the Risk Register.

Ronnie Smith,
Chair of the Lanarkshire Board.

Professor Christopher Moore,
Principal and Chief Executive,
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.

Remuneration and Staff Report

Introduction

The Regional Strategic Body is required to prepare and publish within its financial statements an annual Remuneration Report under the Government Financial Reporting Manual (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, Deputy Principal and Chief Financial Officer (CFO) 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. Other than the Chair, none of the non-executive members of the Board of Management receives a salary or pension as a result of their position with the RSB, so only the Principals and New College Lanarkshire Deputy Principal and CFO are shown below.

Name	Role	<u>Year ended 31st July 2021</u>			<u>Year ended 31st July 2020</u>		
		Salary	Pension Contribution	Total	Salary	Pension Contribution	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Ronnie Smith	Chair, Lanarkshire Board	25-30	0	25-30	20-25	0	20-25
Keith Fulton	Interim Chair, Lanarkshire Board	n/a	n/a	n/a	5-10	0	5-10
Christopher Moore	Principal, NCL	130-135	30-35	160-165	90-95	20-25	115-120
Annette Bruton	Interim Principal, NCL	n/a	n/a	n/a	15-20	0	15-20
Martin McGuire	Principal, NCL	n/a	n/a	n/a	10-15	0-5	10-20
Iain Clark	Vice Principal: Resources	95-100	15-20	115-120	90-95	15-20	110-115
Ann Baxter	Deputy Principal	95-100	20-25	115-120	90-95	15-20	110-115
Aileen McKechnie	Principal, SLC	125-130	25-30	150-155	50-55	10-15	60-65
Stewart McKillop	Principal, SLC	n/a	n/a	n/a	85-90	15-20	100-105

Remuneration and Staff Report (Continued)

Notes to remuneration table:

- Keith Fulton was Interim Chair of the Lanarkshire Board for the period 1st through to 10th August 2020. Ronnie Smith was appointed Chair of the Lanarkshire Board on 11th August 2020. Data for these two individuals reflects proportion of the year worked.
- Ann Baxter was appointed to the temporary role of Vice Principal: Acting on 3rd June 2019, where she remained in post in an acting capacity until 12th November 2020. On 13th November 2020, she was appointed on a full time, permanent basis to Deputy Principal.
- Iain Clark was Vice Principal: Resources for the full year ended 31st July 2021 and was appointed as Chief Financial Officer on 2nd August 2021.
- Martin McGuire left NCL on 6th September 2019. Annette Bruton was appointed as Interim Principal and Chief Executive on 7th September 2019 and left the College's employment on 10th November 2019 on the appointment of Professor Christopher Moore as Principal and Chief Executive of NCL on a substantive basis from 11th November 2019. Data for these three individuals reflects proportion of year worked.
- Stewart McKillop retired as Principal and Chief Executive of SLC on 28th February 2020. The role was taken by Aileen McKechnie who joined SLC on 2nd March 2020 as Principal and Chief Executive on a substantive basis. Data for these two individuals reflects proportion of year worked.

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

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 2021</u>		<u>Year to July 2020</u>	
	FTE	Total Cost £'000	FTE	Total Cost £'000
Staff on permanent contracts	1,153	52,138	1,107	49,938
Staff on temporary contracts	70	4,810	96	5,601
	<u>1,223</u>	<u>56,948</u>	<u>1,203</u>	<u>55,539</u>

Median Remuneration

The banded remuneration of the highest paid senior post holder in the Region in the financial year 2020/2021 was £130k to £135k (2019/2020 £140k to £145k annual equivalent). This was 3.1 times (2019/2020 3.4 times) the median remuneration of the permanent workforce which was £42,357 as at 1st April 2021 (2019/2020 £41,526).

In 2020/2021 no employees (2019/2020 nil) received remuneration in excess of the highest paid senior post holder. Remuneration ranged from £18,340 to banded remuneration of £130k to £135k. (2019/2020 £17,590 to banded remuneration £140k to £145k annual equivalent).

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 STSS scheme operates a normal retirement age of 65, although members of the STSS who joined prior to 1st April 2007 have a preserved retirement age of 60 years. For the LGPS scheme, the normal retirement age is 65 years.

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

Remuneration and Staff Report (Continued)

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

Senior Officials Pension

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

<u>Name</u>	Accrued pension at pension age at <u>31st July 2021</u> £'000	Accrued lump sum at pension age at <u>31st July 2021</u> £'000	Real increase in pension 1 st August 2020 to <u>31st July 21</u> £'000	Real increase in lump sum 1 st August 2020 to <u>31st July 2021</u> £'000
Christopher Moore	0-5	0-5	0-5	0-5
Iain Clark	30-35	90-95	0-5	0-5
Ann Baxter	30-35	95-100	0-5	5-10
Aileen McKechnie	0-5	0-5	0-5	0-5

<u>Name</u>	CETV at <u>31st July 2021</u> £'000	CETV at <u>31st July 2020</u> £'000	Real increase in <u>CETV*</u> £'000
Christopher Moore	56	23	17
Iain Clark	662	625	29
Ann Baxter	775	709	52
Aileen McKechnie	61	12	49*

*As per SLC Financial Statements

These benefits have accrued over the duration of the employees' membership of the schemes in which time contributions may have been transferred from previous employers and by the employees themselves. While the Chair is remunerated through claiming daily allowances, he is not a member of a College pension scheme.

Cash Equivalent Transfer Value (CETV)

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

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

ACCOUNTABILITY REPORT (Continued)

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

18 employees left under voluntary redundancy exit terms during the period August to November 2021, having legally agreed terms prior to 31st July 2021. They received a compensation payment of £996k.

<u>Exit package cost band</u>	<u>Number of compulsory redundancies</u>	<u>Number of other agreed departures (including any voluntary redundancies)</u>	<u>Total number of exit packages by cost band</u>
<£10,000	Nil	Nil	Nil
£10,000 - £25,000	Nil	2	2
£25,000 - £50,000	Nil	6	6
£50,000 - £100,000	Nil	10	10
£100,000 - £150,000	Nil	Nil	Nil
£150,000 - £200,000	Nil	Nil	Nil
Total number of exit packages	Nil	18	18
Total cost	Nil	£996k	£996k

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

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
2020/2021		2.33%		4.29%
Long-Term	75.0%		76.0%	
Short-Term	25.0%		24.0%	
2019/2020		3.4%		4.1%
Long-Term	77.0%		84.6%	
Short-Term	23.0%		15.4%	

Short-term absence at New College Lanarkshire is defined as 20 calendar days or less, while South Lanarkshire use a 15 working day definition. For this reason, a regional indicator has not been shown.

Turnover

Permanent turnover (including turnover at both New College Lanarkshire and South Lanarkshire College) was 3.3%.

Gender Breakdown at year end 31st July 2021

Gender	Headcount	FTE
F	1,007 (67.4%)	822 (67.2%)
M	488 (32.6%)	401 (32.8%)
Total	1,495	1,223

Gender Breakdown at year end 31st July 2020

Gender	Headcount	FTE
F	1,045 (67.5%)	790 (65.7%)
M	503 (32.5%)	413 (34.3%)
Total	1,548	1,203

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

ACCOUNTABILITY REPORT (Continued)

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 2021.

Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:
20	1.63

Note that New College Lanarkshire now recognises three unions, EIS/FELA, UNISON and UNITE.

Percentage of time spent on facility time

Percentage:	Number of employees:
0%	NIL
1%-50%	20
51% - 99%	NIL
100%	NIL

Percentage of pay bill spent on facility time

Total cost of facility time:	£82k
Total pay bill:	£56,948k
Percentage of the total pay bill spent on facility time:	0.14%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	100%
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Remuneration and Staff Report (Continued)

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 is committed to ensuring there is no modern slavery or human trafficking in our supply chains or in any part of our business. This reflects our commitment to acting ethically and with integrity in all our business relationships.

Health and Safety

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

Data Protection Act 2018 and GDPR

New College Lanarkshire is registered as a Data Controller under the Data Protection Act 2018 (Registration Number Z9194349). The RSB has appointed an independent Data Protection Officer and engages these services via HEFESTIS Ltd {www.hefestis.ac.uk}

Professional Advisors

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

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of New College Lanarkshire and its group for the year ended 31 July 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated Statement of Changes in Reserves, Consolidated Balance Sheet and 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 College's affairs as at 31 July 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Emphasis of Matter: Material valuation uncertainty

We draw attention to Note 26 of the financial statements, which discloses a material valuation uncertainty caused by Covid-19 declared in the valuation report for land and buildings. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. [I/We] design procedures in line with [my/our] responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

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

Regional Financial Statements for the Year Ended 31st July 2021

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Statutory other information

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

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

Regional Financial Statements for the Year Ended 31st July 2021

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Lucy Nutley
For and on behalf of Mazars LLP
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HA
[Full date]

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

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

For the year ended 31st July 2021

	<u>Note</u>	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Income					
SFC Grants	2	58,396	43,072	56,444	41,793
Tuition Fees and Education Contracts	3	9,038	5,729	9,296	6,278
Other Income	4	7,983	4,538	7,495	4,454
Donations and endowments	5	-	-	-	-
Investment Income	6	1	-	9	6
Total Income		75,418	53,339	73,244	52,531
Expenditure					
Staff Costs	7	56,948	40,802	55,539	39,501
Exceptional Staff Costs	7	5,245	4,367	3,078	2,428
Other Operating Expenses	8	13,619	10,427	14,532	11,120
Depreciation and Amortisation	11	5,978	4,884	4,760	3,722
Asset Impairment	11	61	61	-	-
Interest and other finance costs	9	527	415	371	283
Total Expenditure		82,378	60,956	78,280	57,054
(Deficit)/Surplus before Other Gains/(Losses)		(6,960)	(7,617)	(5,036)	(4,523)
Gain/(Loss) on Disposal of Fixed Assets	11	-	-	-	-
(Deficit)/Surplus before Tax		(6,960)	(7,617)	(5,036)	(4,523)
Taxation	10	-	-	-	-
(Deficit)/Surplus for the Year		(6,960)	(7,617)	(5,036)	(4,523)
Unrealised surplus/(deficit) on revaluation of land and buildings	11	17,370	-	22,650	22,650
Actuarial gain/(loss) in respect of pension schemes		12,792	10,665	(15,759)	(12,975)
Total Comprehensive Income for the Year		23,202	3,048	1,855	5,152
Represented by:					
Restricted comprehensive income for the year		-	-	-	-
Unrestricted comprehensive income for the year		23,202	3,048	1,855	5,152
		23,202	3,048	1,855	5,152

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 2021

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 2019	<u>3</u>	<u>25,740</u>	<u>(15,544)</u>	<u>39,734</u>	<u>49,932</u>
(Deficit)/Surplus from the income and expenditure statement	-	(5,036)	-	-	(5,036)
Other Comprehensive income	-	(15,876)	-	-	(15,876)
Transfer to pension reserve	-	19,314	(19,314)	-	-
Transfer between revaluation and income and expenditure reserve	-	556	-	(556)	-
Revaluation of land and buildings	-	-	-	22,650	22,650
Total comprehensive income for the year	<u>-</u>	<u>(1,042)</u>	<u>(19,314)</u>	<u>22,095</u>	<u>1,739</u>
Balance at 31st July 2020	<u>3</u>	<u>24,698</u>	<u>(34,858)</u>	<u>61,829</u>	<u>51,672</u>
(Deficit)/Surplus from the income and expenditure statement	-	(6,960)	-	-	(6,960)
Other Comprehensive income	-	12,792	-	-	12,792
Transfer to pension reserve	-	(8,025)	8,025	-	-
Transfer between revaluation and income and expenditure reserve	-	886	-	(886)	-
Release of restricted funds spent in year	-	-	-	-	-
Revaluation of land and buildings	-	-	-	17,370	17,370
Total comprehensive income for the year	<u>-</u>	<u>(1,307)</u>	<u>8,025</u>	<u>16,484</u>	<u>23,202</u>
Balance at 31st July 2021	<u>3</u>	<u>23,390</u>	<u>(26,833)</u>	<u>78,313</u>	<u>74,873</u>

COLLEGE	Income and Expenditure Account		Pension Reserve	Revaluation Reserve	Total
	Restricted £'000	Unrestricted £'000	£'000	£'000	£'000
Balance at 1st August 2019	<u>3</u>	<u>20,185</u>	<u>(12,172)</u>	<u>32,447</u>	<u>40,463</u>
(Deficit)/Surplus from the income and expenditure statement	-	(4,523)	-	-	(4,523)
Other Comprehensive income	-	(13,081)	-	-	(13,081)
Transfer to pension reserve	-	15,792	(15,792)	-	-
Transfer between revaluation and income and expenditure reserve	-	554	-	(554)	-
Release of restricted funds spent in year	-	-	-	-	-
Revaluation of land and buildings	-	-	-	22,650	22,650
Total comprehensive income for the year	<u>-</u>	<u>(1,258)</u>	<u>(15,792)</u>	<u>22,097</u>	<u>5,047</u>
Balance at 31st July 2020	<u>3</u>	<u>18,927</u>	<u>(27,964)</u>	<u>54,544</u>	<u>45,510</u>
(Deficit)/Surplus from the income and expenditure statement	-	(7,617)	-	-	(7,617)
Other Comprehensive income	-	10,665	-	-	10,665
Transfer to pension reserve	-	(6,879)	6,879	-	-
Transfer between revaluation and income and expenditure reserve	-	884	-	(884)	-
Release of restricted funds spent in year	-	-	-	-	-
Revaluation of land and buildings	-	-	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>(2,947)</u>	<u>6,879</u>	<u>(884)</u>	<u>3,048</u>
Balance at 31st July 2021	<u>3</u>	<u>15,980</u>	<u>(21,085)</u>	<u>53,660</u>	<u>48,558</u>

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

CONSOLIDATED BALANCE SHEET as at 31st July 2021

	<u>Note</u>	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Non-Current Assets					
Fixed Assets	11	188,229	135,880	173,635	138,624
Assets in Course of Construction	11	694	694	609	609
		<u>188,923</u>	<u>136,574</u>	<u>174,244</u>	<u>139,233</u>
Current Assets					
Stock		11	3	8	-
Trade and Other Debtors– Due Within One Year	13	5,371	3,649	4,786	3,653
Cash and Cash Equivalents	19	14,347	9,482	7,642	4,753
		<u>19,729</u>	<u>13,134</u>	<u>12,436</u>	<u>8,406</u>
Creditors : Amounts Falling Due Within One Year	14	<u>23,052</u>	<u>19,371</u>	<u>15,431</u>	<u>12,509</u>
		<u>23,052</u>	<u>19,371</u>	<u>15,431</u>	<u>12,509</u>
Net Current Assets/(Liabilities)		<u>(3,323)</u>	<u>(6,237)</u>	<u>(2,995)</u>	<u>(4,103)</u>
Total Assets Less Current Liabilities		<u>185,600</u>	<u>130,337</u>	<u>171,249</u>	<u>135,130</u>
Creditors : Amounts Falling Due After One Year	15	82,513	59,757	83,182	60,591
Provisions for Liabilities and Charges					
Early Retirement Pensions	16	1,381	937	1,537	1,065
Pension Liability	24	26,833	21,085	34,858	27,964
		<u>110,727</u>	<u>81,779</u>	<u>119,577</u>	<u>89,620</u>
Net Assets Including Pension Liability		<u>74,873</u>	<u>48,558</u>	<u>51,672</u>	<u>45,510</u>
Restricted Reserves					
Income and Expenditure Reserve - Restricted Reserve	18	3	3	3	3
Unrestricted Reserves					
Income and Expenditure Reserve Excluding Pension Reserve		23,390	15,980	24,698	18,927
Revaluation Reserve		78,313	53,660	61,829	54,544
Pension Reserve	24	(26,833)	(21,085)	(34,858)	(27,964)
Total Reserves		<u>74,873</u>	<u>48,558</u>	<u>51,672</u>	<u>45,510</u>

The financial statements on pages 55 to 89 were approved by the Board of Management and signed on its behalf by:

Ronnie Smith,
Chair of the Lanarkshire Board.

Professor Christopher Moore,
Principal and Chief Executive,
New College Lanarkshire,
Chief Officer,
Regional Strategic Body.

Regional Financial Statements for the Year Ended 31st July 2021

**CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31st July 2021**

	<u>Note</u>	<u>2021</u> £'000	<u>2020</u> £'000
Cash Flow from Operating Activities			
(Deficit)/Surplus for the year		(6,960)	(5,036)
Adjustment for non-cash items			
Depreciation	11	6,039	4,760
Deferred grant release	17	(3,871)	(2,877)
Decrease/(Increase) in stock		(3)	11
Decrease/(Increase) in debtors	13	(585)	(248)
(Decrease)/Increase in creditors	14,15	7,589	344
Increase/(Decrease) in provisions	16	(161)	(56)
Increase/(Decrease) in restricted reserves	18	-	-
Pension costs – FRS 102	7,24	4,249	3,078
Net return on pension liability – FRS 102	9,24	523	360
Adjustment for investing or financing activities			
Interest received	6	(1)	(9)
Interest paid	9	4	11
Net cash inflow from operating activities		<u>6,823</u>	<u>338</u>
Cash flows from investing activities			
Interest received		1	9
Payments made to acquire fixed assets	11	(3,348)	(2,516)
		<u>(3,347)</u>	<u>(2,507)</u>
Cash flows from financing activities			
Interest paid		(4)	(11)
Capital grant funding received in respect of capital expenditure	17	3,233	2,345
Repayment of bank loan	15	-	(646)
Distribution of restricted fund		-	-
		<u>3,229</u>	<u>1,688</u>
(Decrease)/increase in cash and cash equivalents in the year		<u>6,705</u>	<u>(481)</u>
Cash and cash equivalents at beginning of the year	19	7,642	8,123
Cash and cash equivalents at end of the year	19	<u>14,347</u>	<u>7,642</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

1. ACCOUNTING POLICIES

1.01 Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2019 and in accordance with Financial Reporting Standard (FRS) 102. They conform to the Accounts Direction issued by the Scottish Funding Council (SFC) on 3rd June 2021 and to the accompanying 2020/2021 detailed guidance notes and to direction under the Charities and Trustees Investment (Scotland) Act 2005, and Regulation 14 of The Charities Accounts (Scotland) Regulations 2006. The Colleges are public benefit entities and therefore have applied the relevant public benefit requirements of FRS102. The Consolidated Statement of Income and Expenditure is in respect of continuing activities.

1.02 Basis of Accounting

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

1.03 Basis of Consolidation

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

1.04 Recognition of Income

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

1.04 Recognition of Income (Continued)

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

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

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

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

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

1.0 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 2021**

1.06 Pensions

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

STSS

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

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

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

SPF

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

1.07 Taxation

Both Colleges and the subsidiary company have been registered in the Scottish Charity Register and as such are "charities" within the meaning of section 13 (1) of the Charities and Trustee Investment (Scotland) Act 2005. The Colleges and the subsidiary are recognised as charities by HM Revenue & Customs. They are therefore charities within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly they are potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

1.08 Tangible Fixed Assets

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

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

a) Land and Buildings

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

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected useful future benefits to the Colleges.

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

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

b) Plant and Equipment

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

Assets of a lesser value may be capitalised where they form part of a group of similar assets purchased in the same year and costing over £10,000 in total. Capitalised equipment is depreciated over its useful economic life ranging from between 3 and 10 years on a straight-line basis. Depreciation, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

1.09 Leased Assets (Continued)

The assets are included in fixed assets and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

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

1.10 Depreciation

Depreciation is provided at the following rates:

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

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

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

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

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

1.11 Investments

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

1.12 Cash and cash equivalents

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.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

1.13 Provisions, contingent liabilities and contingent assets (Continued)

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

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

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

1.14 Reserves

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

2. SCOTTISH FUNDING COUNCIL GRANTS

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
SFC FE Recurrent Grant (including fee waiver)	49,212	35,701	48,854	35,716
Childcare grant	1,989	1,579	2,004	1,720
Sustainability grant	1,475	1,096	-	-
Other SFC grants	2,126	1,792	2,922	2,342
Release of deferred SFC capital grants	3,594	2,904	2,664	2,015
	<u>58,396</u>	<u>43,072</u>	<u>56,444</u>	<u>41,793</u>

3. TUITION FEES AND EDUCATION CONTRACTS

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
FE Fees – UK	1,644	486	1,881	1,015
FE Fees – Non EU	7	7	31	4
HE Fees	4,916	3,503	4,770	3,439
SDS contracts	831	277	805	383
Other Contracts	1,640	1,456	1,809	1,437
	<u>9,038</u>	<u>5,729</u>	<u>9,296</u>	<u>6,278</u>

4. OTHER INCOME

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
European funds	6	6	825	825
Other grant income	86	86	59	59
Government Grant Income (HMRC JRS grant)	2,132	1,789	890	426
Other revenue grants	99	53	34	34
Residences and catering	137	137	1,162	1,162
Other income generating activities	-	-	269	269
Insurance income	1,000	1,000	-	-
Other income	599	580	873	824
Other income – Nurseries	3,648	721	3,171	753
Release of deferred capital grants	276	166	212	102
	<u>7,983</u>	<u>4,538</u>	<u>7,495</u>	<u>4,454</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

5. DONATIONS

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Donations with restrictions	-	-	-	-
Unrestricted donations	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. INVESTMENT INCOME

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Interest receivable:				
Net Return on deposits & balances	1	-	9	6
Net return on pension liabilities	-	-	-	-
Total Income	<u>1</u>	<u>-</u>	<u>9</u>	<u>6</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>2021</u> Number	<u>2020</u> Number
Teaching staff	609	594
Teaching support	127	127
Administration and central services	247	243
Premises	63	62
Catering and residences	28	30
Other College expenditure	7	8
Nursery (Subsidiary)	142	139
Total	<u>1,223</u>	<u>1,203</u>

Analysed as:

	<u>2021</u>	<u>2020</u>
Staff on permanent contracts	1,153	1,107
Staff on temporary contracts	70	96
Total	<u>1,223</u>	<u>1,203</u>

7.02 Staff Costs for the Above Persons:

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Salaries and related pay costs:				
Wages and salaries	44,507	31,503	43,688	30,758
Social security costs	4,430	3,305	4,084	2,971
Other pension costs	8,011	5,994	7,767	5,772
Total	<u>56,948</u>	<u>40,802</u>	<u>55,539</u>	<u>39,501</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

7.02 Staff Costs for the Above Persons (Continued)

	<u>2021</u> £'000	<u>2020</u> £'000
Region Details Being :		
Teaching staff	33,279	32,646
Teaching support	5,079	4,869
Administration and central services	12,793	12,390
Premises	1,888	1,805
Catering and residences	738	840
Other College expenditure	245	254
Nursery	2,926	2,735
	<u>56,948</u>	<u>55,539</u>
Costs of voluntary severance	996	-
Pension fund adjustment	4,249	3,078
	<u>5,245</u>	<u>3,078</u>
Gross Staff Costs	<u>62,193</u>	<u>58,617</u>
	<u>2021</u> £'000	<u>2020</u> £'000
Staff on permanent contracts	52,138	49,938
Staff on temporary contracts	4,810	5,601
Total	<u>56,948</u>	<u>55,539</u>
Exceptional staff costs	5,245	3,078
Gross Staff Costs	<u>62,193</u>	<u>58,617</u>

The Chair of the Board of Management received a payment in the range £20,000 to £25,000 (2020 £20,000 to £25,000) for time spent on Regional business. The members of the Board of Management other than the Chair, the Principals and staff members did not receive any payment from the Colleges other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Overseas Travel

The cost of overseas trips undertaken by Colleges staff in the year was £nil (2020 £28k). These were all funded via European funded staff programmes or international partnership grants.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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>2021</u>	<u>2020</u>
	Number	Number
£60,001 to £70,000	10	8
£70,001 to £80,000	8	7
£80,001 to £90,000	-	2
£90,001 to £100,000	1	4
£100,001 to £110,000	1	-
£110,001 to £120,000	-	-
£120,001 to £130,000	1	-
£130,001 to £140,000	1	-
£140,001 to £150,000	-	-

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

7.04 Senior post-holders' emoluments

	No.	No.
The number of senior post-holders, including the Principals was:	<u>22</u>	<u>21</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>2021</u>	<u>2020</u>
	£'000	£'000
Senior post-holders' emoluments are made up as follows:		
Salaries	1,717	1,602
Benefits in kind	-	-
Pension contributions	<u>359</u>	<u>328</u>
	<u>2,076</u>	<u>1,930</u>

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

	<u>2021</u>	<u>2020</u>
	£'000	£'000
Remuneration:		
New College Lanarkshire Principal	132	95
South Lanarkshire College Principal	125	140
Benefits in kind:		
New College Lanarkshire Principal	-	-
South Lanarkshire College Principal	-	-
	<u>257</u>	<u>235</u>
Pension contributions:		
New College Lanarkshire Principal	30	22
South Lanarkshire College Principal	<u>29</u>	<u>28</u>
	<u>59</u>	<u>50</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Teaching Activities	1,895	933	2,667	1,629
Childcare	2,062	1,755	1,822	1,757
Residences and Catering	75	75	551	551
Premises	4,421	3,391	4,144	2,909
Administration and Central Services	4,538	3,728	4,674	3,754
Nursery	31	31	35	35
Other Expenses	597	514	639	485
	<u>13,619</u>	<u>10,427</u>	<u>14,532</u>	<u>11,120</u>

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Auditor's remuneration (including irrecoverable VAT) :				
External Audit	75	56	66	47
Internal Audit	64	27	57	37
Other services provided by :				
External Auditors	11	-	12	-
Internal Audit	-	-	10	10
Hire of other assets - operating leases				
Equipment	148	50	175	75
Buildings	120	40	120	40

9. INTEREST PAYABLE

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Pension Finance Costs (note 24)	523	415	360	283
Other Interest Payable	4	-	11	-
Total Cost	<u>527</u>	<u>415</u>	<u>371</u>	<u>283</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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 2020	175,172	114	8,625	183,911
Additions	2,430	-	833	3,263
Revaluation	13,737	-	-	13,737
Impairment	-	-	-	-
As at 31st July 2021	<u>191,339</u>	<u>114</u>	<u>9,458</u>	<u>200,911</u>
 DEPRECIATION				
As at 1st August 2020	2,949	51	7,276	10,276
Provided during period	5,426	6	546	5,978
Revaluation	(3,633)	-	-	(3,633)
Impairment	-	-	61	61
As at 31st July 2021	<u>4,742</u>	<u>57</u>	<u>7,883</u>	<u>12,682</u>
 NET BOOK VALUE				
As at 31st July 2021	<u>186,597</u>	<u>57</u>	<u>1,575</u>	<u>188,229</u>
As at 1st August 2020	<u>172,223</u>	<u>63</u>	<u>1,349</u>	<u>173,635</u>

Included in Land and Buildings is land at a value of £4,000k which is not depreciated.

New College Lanarkshire properties were revalued by Ryden LLP at 31st August 2020 using depreciated replacement cost.

South Lanarkshire College properties were revalued by Ryden LLP at 31st July 2021 using depreciated replacement cost.

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

The net book value of Plant, Equipment and Vehicles includes an amount of £Nil (2020: £Nil) in respect of assets held under finance leases and hire purchase contracts.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

11. FIXED ASSETS (Continued)

FIXED ASSETS - COLLEGE

	Land & Buildings	Plant, Equipment and Vehicles	Total
COST	£'000	£'000	£'000
As at 1st Aug 2020	138,307	4,122	142,429
Additions	1,614	587	2,201
Revaluation	-	-	-
Impairment	-	-	-
As at 31st July 2021	<u>139,921</u>	<u>4,709</u>	<u>144,630</u>
DEPRECIATION			
As at 1st Aug 2020	-	3,805	3,805
Provided during period	4,666	218	4,884
Impairment	-	61	61
Revaluation	-	-	-
As at 31st July 2021	<u>4,666</u>	<u>4,084</u>	<u>8,750</u>
NET BOOK VALUE			
As at 31st July 2021	<u>135,255</u>	<u>625</u>	<u>135,880</u>
As at 1st Aug 2020	<u>138,307</u>	<u>317</u>	<u>138,624</u>
ASSETS IN THE COURSE OF CONSTRUCTION (REGION AND COLLEGE)	Land & Buildings	Plant, Equipment and Vehicles	Total
COST OR VALUATION	£'000	£'000	£'000
As at 1st August 2020	592	17	609
Additions	675	-	675
Transfer to Assets	(590)	-	(590)
As at 31st July 2021	<u>677</u>	<u>17</u>	<u>694</u>
DEPRECIATION			
As at 1st August 2020	-	-	-
Provided during period	-	-	-
As at 31st July 2021	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value			
As at 31st July 2021	<u>677</u>	<u>17</u>	<u>694</u>
As at 1st August 2020	<u>592</u>	<u>17</u>	<u>609</u>

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.

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2021

INVESTMENTS

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</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 2021, Amcol Scotland Limited made a surplus of £300k on a turnover of £3,344k net of intercompany transactions, and had net assets of £2,160k. The principal trading activity of the subsidiary is the Provision of Nursery Education.

13. TRADE AND OTHER DEBTORS

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Amounts falling due within one year:				
Trade debtors	450	131	1,047	871
Other debtors	13	-	29	-
Prepayments and accrued income	4,395	3,384	3,321	2,777
SFC loan funding	-	-	-	-
European funding	513	134	389	5
	<u>5,371</u>	<u>3,649</u>	<u>4,786</u>	<u>3,653</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Bank loans and overdrafts	-	-	-	-
Trade creditors	596	486	425	324
Social security and other taxation payable	921	921	947	908
Accruals and deferred income	9,080	7,263	5,981	4,747
Deferred income – restricted	1,825	1,425	1,361	1,012
Bursaries and Access funds for future disbursement	3,847	3,397	1,622	1,262
Deferred capital grants (note 18)	3,883	3,075	3,852	3,100
Subsidiary loan	-	-	-	-
Other creditors	2,900	2,804	1,243	1,156
	<u>23,052</u>	<u>19,371</u>	<u>15,431</u>	<u>12,509</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.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Deferred capital grants (note 17)	82,513	59,757	83,182	60,591
As at 31st July 2021	<u>82,513</u>	<u>59,757</u>	<u>83,182</u>	<u>60,591</u>

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 2020	13	1,524	1,537
Payments made during the year	(3)	(94)	(97)
Revaluation adjustment	-	(59)	(59)
As at 31st July 2021	<u>10</u>	<u>1,371</u>	<u>1,381</u>

COLLEGE	Pension Provision for SPF Scheme £'000	Pension Provision for STSS £'000	Total £'000
Early Retirement Pension Provision			
As at 1st August 2020	-	1,065	1,065
Payments made during the year	-	(64)	(64)
Revaluation adjustment	-	(64)	(64)
As at 31st July 2021	<u>-</u>	<u>937</u>	<u>937</u>

The STSS pension provision has been revalued using actuarial tables supplied by SFC. The net interest rate applied was 0% (2020 0%) 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 2021**

17. DEFERRED CAPITAL GRANTS

REGION	SFC £'000	ESF £'000	Other £'000	Total £'000
As at 1st August 2020				
Land and Buildings	79,562	5,808	882	86,252
Equipment	782	-	-	782
	<u>80,344</u>	<u>5,808</u>	<u>882</u>	<u>87,034</u>
Cash Received				
Land and Buildings	2,425	-	-	2,425
Equipment	724	84	-	808
Grants Released				
Land and Buildings	(3,316)	(273)	(25)	(3,614)
Equipment	(254)	(3)	-	(257)
	<u>79,923</u>	<u>5,616</u>	<u>857</u>	<u>86,396</u>
As at 31st July 2021				
Being:				
Land and Buildings	78,671	5,535	857	85,063
Equipment	1,252	81	-	1,333
	<u>79,923</u>	<u>5,616</u>	<u>857</u>	<u>86,396</u>
Due within one year	3,568	290	25	3,883
Due after more than one year	<u>76,355</u>	<u>5,326</u>	<u>832</u>	<u>82,513</u>
	SFC	ESF	Other	Total
COLLEGE	£'000	£'000	£'000	£'000
As at 1st August 2020				
Land and Buildings	61,156	1,500	882	63,538
Equipment	153	-	-	153
	<u>61,309</u>	<u>1,500</u>	<u>882</u>	<u>63,691</u>
Cash Received				
Land and Buildings	1,650	-	-	1,650
Equipment	479	84	-	563
Grants Released				
Land and Buildings	(2,717)	(163)	(25)	(2,905)
Equipment	(164)	(3)	-	(167)
	<u>60,557</u>	<u>1,418</u>	<u>857</u>	<u>62,832</u>
As at 31st July 2021				
Being:				
Land and Buildings	60,089	1,337	857	62,283
Equipment	468	81	-	549
	<u>60,557</u>	<u>1,418</u>	<u>857</u>	<u>62,832</u>
Due within one year	2,870	180	25	3,075
Due after more than one year	<u>57,687</u>	<u>1,238</u>	<u>832</u>	<u>59,757</u>

New College Lanarkshire

Regional Financial Statements for the Year Ended 31st July 2021

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st July 2021

18. RESTRICTED RESERVES (REGION AND COLLEGE)

	<u>2021</u> £'000	<u>2020</u> £'000
As at 1st August 2020	3	3
Add : Grant received	-	-
Less: Disbursed to Students during year	-	-
As at 31st July 2021	<u>3</u>	<u>3</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>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Cash and cash equivalents	7,642	4,753	8,123	5,792
Overdrafts	-	-	-	-
As at 1st August 2020	<u>7,642</u>	<u>4,753</u>	<u>8,123</u>	<u>5,792</u>
Cash flows	6,705	4,729	(481)	(1,039)
Cash and cash equivalents	14,347	9,482	7,642	4,753
Overdrafts	-	-	-	-
As at 31st July 2021	<u>14,347</u>	<u>9,482</u>	<u>7,642</u>	<u>4,753</u>
Being:				
College funds	9,332	5,859	5,180	3,251
Student Support funds	3,623	3,623	1,502	1,502
Nursery	1,392	-	960	-
	<u>14,347</u>	<u>9,482</u>	<u>7,642</u>	<u>4,753</u>

20. CAPITAL AND OTHER COMMITMENTS

At 31st July 2021 the Region (and College) had £181k in capital commitments (2020: £164k) in relation to cross campus Estates Capital and Very High Priority Maintenance projects.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

21. CONTINGENT LIABILITIES

The College is engaged in a contractual dispute relating to construction aspects of the main teaching block and residence block of the Motherwell Campus, most significantly the failure of the cladding system of the main teaching block.

The College has lodged legal proceedings in the Court system as a protective measure.

At this juncture, it is difficult to determine any exposure to liability or measure any liability whether full or partial. This is in relation to any renewal, repair or reconstruction of the cladding system.

22. LEASE OBLIGATIONS

The net operating lease obligations are:

	<u>Region</u> <u>2021</u>	<u>College</u> <u>2021</u>	<u>Region</u> <u>2020</u>	<u>College</u> <u>2020</u>
	£'000	£'000	£'000	£'000
<u>Land and Buildings</u>				
One year or less	117	37	120	40
Over one and under five years	322	-	322	-
Over five years	402	-	482	-
	<u>841</u>	<u>37</u>	<u>924</u>	<u>40</u>
<u>Office Equipment</u>				
One year or less	81	54	41	4
Over one and under five years	63	63	4	-
Over five years	-	-	-	-
	<u>144</u>	<u>117</u>	<u>45</u>	<u>4</u>

23. POST BALANCE SHEET EVENTS

There are no Post Balance Sheet Events of financial significance or financial materiality to note.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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>2021</u>	<u>College</u> <u>2021</u>	<u>Region</u> <u>2020</u>	<u>College</u> <u>2020</u>
	£'000	£'000	£'000	£'000
Total Pension Cost for the Year				
Teachers' Pension Scheme : Contributions paid	5,503	4,085	5,429	4,011
Local Government Pension Scheme:				
Contributions paid	2,432	1,873	2,258	1,716
Contributions paid (unfunded)	46	46	45	45
Pension fund adjustment	3,371	3,371	2,428	2,428
Charge to the Statement of Comprehensive Income	5,849	5,290	4,731	4,189
Total Pension Cost for Year within staff costs	<u>11,352</u>	<u>9,375</u>	<u>10,160</u>	<u>8,200</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 £773k (2020 £754k) for the Region, £773k (2020 £754k) 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 2021**

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 2021**

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 £7,870k for the Region (2020 £7,616k), £5,840k (2020 £5,566k) for the College. The employer's contributions totalled £5,547k (College £4,129k) and employees' contributions totalled £2,323k (College £1,711k).

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 2021 were £3,192k (2020 £3,069k) for the Region, £2,464k (2020 £2,358k) for the College. The employer's contributions totalled £2,430k (College £1,873k) and employees' contributions totalled £762k (College £591k). 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 2021 by a qualified independent actuary.

	31st July 2021	31st July 2020
Rate of increase in salaries	3.55%	3.2%
Future pensions increases	2.85%	2.2%
Discount rate for scheme liabilities	1.6%	1.4%
Inflation Assumption	2.85%	2.2%

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 2021**

24. PENSION SCHEMES (Continued)

Life expectancy is based on the Fund's VitaCurves, with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, average future life expectancies at age 65 are summarised below:

	At 31st July 2021	At 31st July 2020
	Years	years
Current Pensioners		
Males	19.8	20.7
Females	22.6	22.9
Future Pensioners		
Males	21.2	22.2
Females	24.7	24.6

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 2021 %	Region Fair Value at 31st July 2021 £'000	College Fair Value at 31st July 2021 £'000	Estimated split of assets at 31st July 2020 %	Region Fair Value at 31st July 2020 £'000	College Fair Value at 31st July 2020 £'000
Equity instruments	66%	65,285	53,544	63%	51,494	42,431
Debt instruments	24%	23,740	19,471	25%	20,434	16,837
Property	9%	8,903	7,302	11%	8,991	7,408
Cash	1%	989	812	1%	817	674
Total fair value of plan assets		98,917	81,129		81,736	67,350
Weighted average expected long term rate of return	1.6%			1.4%		
Actual return on plan assets		18,200	14,979		(1,973)	(1,628)

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Fair value of plan assets	98,917	81,129	81,736	67,350
Present value of plan liabilities	(125,306)	(101,770)	(116,111)	(94,831)
Present value of unfunded liabilities	(444)	(444)	(483)	(483)
Net pensions liability	<u>(26,833)</u>	<u>(21,085)</u>	<u>(34,858)</u>	<u>(27,964)</u>

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

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Amounts included in staff costs				
Current service cost	6,715	5,290	5,462	4,267
Past service cost	-	-	117	106
Total	<u>6,715</u>	<u>5,290</u>	<u>5,579</u>	<u>4,373</u>
Amounts included in interest payable				
Net interest (cost)	(518)	(415)	(360)	(283)
Total	<u>(518)</u>	<u>(415)</u>	<u>(360)</u>	<u>(283)</u>
Amount recognised in Other Comprehensive Income				
Return on pension plan assets	17,046	14,029	(3,714)	(3,064)
Changes in demographic assumptions	2,859	2,408	-	-
Experience losses arising on defined benefit obligations	3,679	2,907	422	342
Changes in assumptions underlying the present value of plan liabilities	(10,792)	(8,679)	(12,467)	(10,253)
	<u>12,792</u>	<u>10,665</u>	<u>(15,759)</u>	<u>(12,975)</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

24. PENSION SCHEMES (Continued)

Movement in net defined benefit (liability) in scheme

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
Net defined liability in scheme at 1 st August 2020	(34,858)	(27,964)	(15,544)	(12,172)
Movement in year:				
Current and past service cost	(6,725)	(5,290)	(5,579)	(4,373)
Employer contributions	2,430	1,873	2,339	1,794
Contributions in respect of unfunded benefits	46	46	45	45
Net interest on the defined liability	(518)	(415)	(360)	(283)
Actuarial gain or loss	12,792	10,665	(15,759)	(12,975)
Net defined liability at 31st July 2021	<u>(26,833)</u>	<u>(21,085)</u>	<u>(34,858)</u>	<u>(27,964)</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.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

24. PENSION SCHEMES (Continued)

McCloud ruling (Continued)

In the prior year, 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 resulted in an increase to the liabilities (shown as a past service cost within the 31st July 2020 disclosures) of £906k for New College Lanarkshire and £227k for South Lanarkshire College. No further adjustment was made for the McCloud ruling in the 31st July 2021 disclosures.

The McCloud allowance will therefore automatically be included in 31 July 2021 balance sheet. Any changes to an allowance made at 31 July 2021 would flow through OCI as one part of the 'remeasurement experience' item, unless otherwise instructed by an employer and its auditor. No explicit adjustment for McCloud has been added to the current service cost for 2020/21 (or the projected service cost for 2021/22).

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 6th April 2016 onwards.

The estimated impact of GMP indexation is to increase the total liabilities (which is shown as a past service cost within the 31st July 2020 disclosures) by approximately £106k for New College Lanarkshire and £11k for South Lanarkshire College.

An allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the 31 July 2021 balance sheet. The impact of this will flow through the OCI as one part of the 'remeasurement experience' item.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

24. PENSION SCHEMES (Continued)

Asset and Liability Reconciliation

	Region 2021 £'000	College 2021 £'000	Region 2020 £'000	College 2020 £'000
<u>Changes in the present value of defined benefit obligations</u>				
Defined benefit obligations at start of period	116,594	95,314	97,604	79,952
Current and past service cost	6,725	5,290	5,579	4,373
Interest cost	1,672	1,365	2,101	1,719
Contributions by Scheme participants	762	591	730	564
Experience gains and losses on defined benefit obligations	(3,679)	(2,907)	(422)	(342)
Changes in financial assumptions	10,792	8,679	12,467	10,253
Changes in demographic assumptions	(2,859)	(2,408)	-	-
Estimated benefits paid	(1,661)	(1,383)	(1,465)	(1,205)
Defined benefit obligations at end of period	<u>128,346</u>	<u>104,541</u>	<u>116,594</u>	<u>95,314</u>
<u>Changes in fair value of plan assets</u>				
Fair value of plan assets at start of period	81,736	67,350	82,060	67,780
Interest on plan assets	1,154	950	1,741	1,436
Return on plan assets	17,046	14,029	(3,714)	(3,064)
Employer contributions	2,430	1,873	2,339	1,794
Contributions in respect of unfunded benefits	46	46	45	45
Contributions by Scheme participants	762	591	730	564
Estimated benefits paid	(1,615)	(1,337)	(1,420)	(1,160)
Unfunded benefits paid	(46)	(46)	(45)	(45)
Fair value of plan assets at end of period	<u>101,513</u>	<u>83,456</u>	<u>81,736</u>	<u>67,350</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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

				<u>2020/21</u>	<u>2019/20</u>
FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS	FE Bursary	EMA	Other	Total	Total
	£'000	£'000		£'000	£'000
Balance brought forward	878	-	21	899	232
Allocation received in year	12,905	622	2,566	16,093	14,940
Expenditure	(9,927)	(622)	(2,597)	(13,146)	(13,702)
Repaid to SFC/SAAS as clawback	(1,089)	-	-	(1,089)	(93)
Colleges contribution to funds	-	-	15	15	19
Intra-Region allocations	-	-	-	-	-
Virements	-	-	-	-	-
Funds retained by Colleges	-	-	-	-	(137)
Balance carried forward	2,767	-	5	2,772	1,259
Represented by:					
Repayable to SFC as clawback	2,767	-	5	2,772	1,259
Repayable to Region					
Retained by Colleges for students	-	-	-	-	-
	2,767	-	5	2,772	1,259
FE and HE Childcare Funds				<u>2020/21</u>	<u>2019/20</u>
				Total	Total
				£'000	£'000
Balance brought forward				363	40
Allocation received in year				3,064	2,626
Expenditure				(1,989)	(2,263)
Repaid to SFC as clawback				(363)	-
Colleges contribution to funds				-	-
Intra-Region allocations				-	-
Virements				-	-
Funds retained by Colleges				-	(40)
Balance carried forward				1,075	363
Represented by:					
Repayable to SFC as clawback				1,075	363
Repayable to region				-	-
Retained by Colleges for students				-	-
				1,075	363

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

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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

				<u>2020/21</u>	<u>2019/20</u>
FE BURSARIES AND OTHER STUDENT SUPPORT FUNDS	FE Bursary	EMA	Other	Total	Total
	£'000	£'000		£'000	£'000
Balance brought forward	878	-	21	899	184
Allocation received in year	9,917	541	1,279	11,737	11,083
Expenditure	(7,634)	(541)	(1,295)	(9,470)	(10,184)
Repaid to SFC/SAAS as clawback	(844)	-	-	(844)	(47)
College contribution to funds	-	-	-	-	-
Intra-Region allocations	-	-	-	-	-
Virements	-	-	-	-	-
Funds retained by College	-	-	-	-	(137)
Balance carried forward	2,317	-	5	2,322	899

Represented by:

Repayable to SFC as clawback	2,317	-	5	2,322	899
Repayable to Region	-	-	-	-	-
Retained by College for students	-	-	-	-	-
	2,317	-	5	2,322	899

FE and HE Childcare Funds

	<u>2020/21</u>	<u>2019/20</u>
	Total	Total
	£'000	£'000
Balance brought forward	363	40
Allocation received in year	2,654	2,083
Expenditure	(1,579)	(1,720)
Repaid to SFC as clawback	(363)	-
College contribution to funds	-	-
Intra-Region allocations	-	-
Virements	-	-
Funds retained by College	-	(40)
Balance carried forward	1,075	363

Represented by:

Repayable to SFC as clawback	-	-
Repayable to Region	-	363
Retained by College for students	1,075	-
	1,075	363

As a result of closure from March due to COVID-19 the College retains higher funds at 31st July 2021 than would normally be expected. This has resulted in significantly lower childcare and travel costs.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

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.

New College Lanarkshire's land and buildings were revalued by Ryden as at 31 July 2020 (note 11) and South Lanarkshire College's land and buildings were revalued by Ryden as at 31 July 2021. The valuations include a 'material valuation uncertainty' clause. The response to COVID-19 meant that property valuers were faced with an unprecedented set of circumstances on which to base a judgment. As at the valuation dates, they considered that less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per the "RICS Valuation – Global Standards effective from 31 January 2020". Consequently, less certainty, and a higher degree of caution, should be attached to their valuation than would normally be the case. For the avoidance of doubt, this does not mean that the valuation cannot be relied upon. Rather, the material uncertainty clause is used to be clear and transparent with all parties that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. The value of land and buildings that are subject to a 'material valuation uncertainty' is material to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31st July 2021**

27. ADJUSTED OPERATING POSITION ON A CENTRAL GOVERNMENT ACCOUNTING BASIS

	<u>Region</u> <u>2021</u> £'000	<u>College</u> <u>2021</u> £'000	<u>Region</u> <u>2020</u> £'000	<u>College</u> <u>2020</u> £'000
(Deficit) before other gains and losses (FE/HE SORP basis) for academic year	(6,960)	(7,617)	(5,036)	(4,523)
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	(5,986)	(6,754)	(4,062)	(3,660)

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 £6,960k for the year ended 31st July 2021. After adjusting for the non-cash allocation provided under Government rules, the Region shows an “adjusted” deficit of £5,986k on a Central Government accounting basis. Although this would suggest that the Region is operating beyond its funding allocation, the key accepted metric for Audit Scotland and the Scottish Funding Council is the Underlying Operating Position, which as per below is reporting a surplus.

The above surplus differs from the Underlying Operating Position surplus of £45k 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 2021**

Appendix One

2020-21 Accounts direction for Scotland's Colleges

- 1 It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
- 2 Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
- 3 Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2020-21 (FReM) where applicable.
- 4 Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
- 5 The annual report and accounts should be signed by the Chief Executive Officer/Executive Director and by the Chair, or one other member of the governing body.
- 6 Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

**Scottish Funding Council
3rd June 2021**

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

² Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.



**NEW
COLLEGE
LANARKSHIRE**

Bringing Education Closer

COATBRIDGE CAMPUS

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CUMBERNAULD CAMPUS

Town Centre, Cumbernauld G67 1HU

HAMILTON CAMPUS

58 Castle Street, Hamilton ML3 6BU

KIRKINTILLOCH CAMPUS

50 Southbank Road, Kirkintilloch G66 1NH

MOTHERWELL CAMPUS

1 Enterprise Way

Motherwell ML1 2TX

BROADWOOD CAMPUS

Broadwood Stadium, 1 Ardgoil Drive,

Cumbernauld G68 9NE

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**South
Lanarkshire
College**

East Kilbride

South Lanarkshire College

College Way, East Kilbride G75 0NE

www.south-lanarkshire-college.ac.uk



New College Lanarkshire: Registered Charity Number SC021206.