# South Lanarkshire College

## 2022/23 Annual Audit Report

Prepared for South Lanarkshire College and the Auditor General for Scotland

December 2023

# Contents

# Key messages

## 2022/23 Annual Report and Financial Statements

**1** Our audit opinions on the Annual Report and Financial Statements are unmodified.

## Financial management

**2** The college reported an operating deficit of £1.023 million and an adjusted operating deficit of £0.253 million for the year to 31 July 2023.

**3** The college has a well-established budget monitoring and reporting process in place.

## Financial sustainability

**4** Pressures arising from the wider economic environment together with proposed flat cash funding settlements will require colleges to make difficult decisions to achieve financial sustainability.

**5** The 2023/24 budget and the Financial Forecast Return reflect the challenging financial environment the college is operating in.

## Vision, leadership, and governance

**6** The college has responded positively to the recommendations set out in the 2020/21 and 2021/22 statutory reports and has complied fully with the Code of Good Governance for Scotland's Colleges in 2022/23.

**7** New appointments have been made to the college's Board of Management. A new Principal and Chief Executive was appointed in April 2023. In addition, the college has recently made other key staffing appointments which taken together should strengthen its strategic leadership.

## Use of resources to improve outcomes

**8** The college has arrangements in place to promote and secure Best Value.

**9** The college has a clear strategic plan, and its performance has improved in key areas during 2022/23.

# Introduction

**1.** This report summarises the findings from the 2022/23 annual audit of South Lanarkshire College (the college). The scope of the audit was set out in an Annual Audit Plan presented to the 15 May 2023 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the college's Annual Report and Financial Statements.
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
    - Financial Management
    - Financial Sustainability
    - Vision, Leadership, and Governance
    - Use of Resources to Improve Outcomes.

**2.** This report is addressed to the college Board of Management and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

## Responsibilities and reporting

**3.** The college is responsible for preparing its Annual Report and Financial Statements in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) and for establishing effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

**4.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice 2021 and supplementary guidance and International Standards on Auditing in the UK. We undertake our audit in accordance with International Standards on Auditing, and the auditing profession's ethical guidance.

**5.** At the conclusion of our audit, we provide an independent auditor's report for inclusion in the Annual Report and Financial Statements. We also review and provide conclusions on the effectiveness of the college's performance management arrangements, suitability and effectiveness of corporate governance arrangements, financial position, and arrangements for securing financial sustainability and value for money.

**6.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**7.** Our Annual Audit Report contains an agreed action plan at appendix 1 setting out specific recommendations, responsible officers, and dates for implementation. Members of the Audit and Risk Committee should ensure that they are satisfied with the proposed actions and have a mechanism in place to assess progress and monitor outcomes.

## Communication of fraud or suspected fraud

**8.** In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit and Risk Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the college, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Report and Financial Statements being certified.

## Auditor Independence

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £24,140 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to the college by:

- identifying and providing insight on significant risks and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

# 1. Audit of 2022/23 Annual Report and Financial Statements

The principal means of accounting for the stewardship of resources and performance.

## Main judgements

Our audit opinions on the Annual Report and Financial Statements are unmodified.

Expenditure and income in the Financial Statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.

The audited part of the Performance Report, Governance Statement and the Remuneration and Staff Report were all consistent with the Financial Statements and properly prepared in accordance with applicable legislation and directions made by the Scottish Funding Council.

## Our audit opinions on the Annual Report and Financial Statements are unmodified

**11.** The Annual Report and Financial Statements for the year ended 31 July 2023 are to be approved by the Board of Management on 5 December 2023. As reported in our independent auditor's report:

- the Financial Statements give a true and fair view and were properly prepared in accordance with the financial reporting framework,
- expenditure and income were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers, and
- the audited part of the Performance Report, Governance Statement and the Remuneration and Staff Report were all consistent with the Financial Statements and properly prepared in accordance with the relevant legislation and directions made by the Scottish Funding Council.

**12.** We are satisfied that there are no matters upon which we are required by the Auditor General to report by exception.

## The audited Annual Report and Financial Statements were signed off by the 31 December 2023 deadline

**13.** We received the unaudited Annual Report and Financial Statements on 16 October 2023. This was in line with the agreed timetable. The document submitted for audit was of a reasonable standard as were the supporting working papers. However, we did identify areas where disclosures needed to be improved (exhibit 3). These were discussed with management and the required changes made to the audited Annual Report and Financial Statements. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly. This has allowed us to sign off the Annual Report and Financial Statements by the 31 December 2023 deadline.

## Our audit testing reflected the calculated materiality levels

**14.** Materiality can be defined as the maximum amount by which auditors believe the Annual Report and Financial Statements could be misstated and still not be expected to affect the perceptions and decisions of users of this. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).

**15.** Our initial assessment of materiality for the Annual Report and Financial Statements is undertaken during the planning phase of the audit. On receipt of the unaudited Annual Report and Financial Statements, and following completion of audit testing, we reviewed our original materiality levels and concluded that they remained appropriate. Our materiality levels are set out at exhibit 1.

### Exhibit 1
Materiality levels

| Materiality level | Amount |
|---|---|
| **Overall materiality:** This is the figure we use in assessing the overall impact of potential adjustments on the Financial Statements. It has been set at 2% of gross expenditure for the year ended 31 July 2023. | £0.400 million |
| **Performance materiality:** This acts as a trigger point. If the aggregate of errors identified during the Financial Statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we calculated performance materiality at 75% of planning materiality. | £0.300 million |
| **Reporting threshold:** We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been set at 5% of overall materiality. | £0.020 million |

## Our audit identified and addressed the significant risk of material misstatement together with the other areas of audit focus reported in our 2022/23 Annual Audit Plan

**16.** The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit, we identified one significant risk of material misstatement which could impact on the Annual Report and Financial Statements. Exhibit 2 sets out the risk together with the work we undertook to address it and our conclusion from this work.

### Exhibit 2

Significant risk of material misstatement reported in the 2022/23 Annual Audit Plan

| Description of risk | Audit response to risk | Results and conclusion |
|---|---|---|
| **1. Management override of controls**<br><br>As stated in ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively. | Assess the design and implementation of controls over journal entry processing.<br><br>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.<br><br>Test journals at the year-end and post-closing entries and focus on significant risk areas.<br><br>Evaluate significant transactions outside the normal course of business.<br><br>Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.<br><br>Substantive testing of income and expenditure transactions at the year-end to confirm they are accounted for in the correct financial year.<br><br>Focussed testing of accounting accruals and prepayments. | **Results:** We assessed the design and implementation of controls over journal entry processing. No issues were noted.<br><br>Management did not identify any inappropriate or unusual activity with journals or other adjustments.<br><br>Journal adjustments were tested, and no indications of management override of controls were found.<br><br>We reviewed transactions during the year - no issues were highlighted of transactions outside the normal course of business.<br><br>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.<br><br>Testing of accruals and prepayments did not identify any issues.<br><br>**Conclusion:** There was no evidence of management override of controls from the work performed. |

**17.** Our 2022/23 Annual Audit Plan also noted other risks of material misstatement to the Annual Report and Financial Statements. Based on our assessment of the likelihood and magnitude of these risks, we did not consider that these represented a significant risk. The other areas of audit focus were:

- **Pension balance:** We confirmed that valuation data in the actuarial report was correctly reflected within the Annual Report and Financial Statements, and reviewed the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used.

- **Valuation of land and buildings:** We reviewed management's assessment of the current value of these assets as at 31 July 2023 and compared this to their carrying value in the Annual Report and Financial Statements.

**18.** We kept these areas under review throughout our audit. Except for the pension balance, which we have commented further on in exhibit 3, based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

**19.** ISA (UK) 540 *(Auditing accounting estimates and related disclosures)* requires auditors to obtain sufficient appropriate audit evidence about whether accounting estimates and related disclosures in the Financial Statements are reasonable. This includes requesting written representations from management and those charged with governance regarding the reasonableness of methods, significant assumptions and the data used in determining the amounts in the estimates.

## Good practice - review of actuarial assumptions

In preparing the Financial Statements, the college's Finance and Resources Committee and management reviewed the methodology and reasonableness of assumptions applied to the college's pension estimate by its actuary, Hymans Robertson.

### There were accounting adjustments identified from our audit of the Annual Report and Financial Statements

**20.** Adjustments, including misclassifications, with a gross total of £1.228 million were identified from the audit of the Annual Report and Financial Statements. As this total was above our performance materiality, we amended our audit approach.

**21.** It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior management and materiality. Management have adjusted for the issues identified. The correction of these adjustments contributed to the deficit in the Statement of Comprehensive Income (SoCI) increasing by £0.030 million with a corresponding decrease in the college's net assets.

## We have significant findings to report on the Annual Report and Financial Statements

**22.** Under ISA (UK) 260 *(Communication with Those Charged with Governance)*, we communicate significant findings from the audit to members, including our view about the qualitative aspects of the college's accounting practices.

**23.** The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 *(Communicating key audit matters in the Independent Auditor's Report).* These are matters that we judged to be of most significance in our audit of the Financial Statements.

**24.** Our significant findings are detailed in exhibit 3.

**25.** Several presentational and disclosure amendments were discussed and agreed with management. As a result, the qualitative aspects of the college's accounting practices, accounting policies, accounting estimates and disclosures within the audited Annual Report and Financial Statements are satisfactory and appropriate.

### Exhibit 3
Significant findings from the audit of the Annual Report and Financial Statements

| Issue | Resolution |
|---|---|
| **1. Disclosures in the Annual Report and Financial Statements**<br>Our review of the disclosures within the unaudited Annual Report and Financial Statements identified areas where improvements were required to ensure compliance with the applicable guidance. These areas included the Performance Report, Governance Statement and the Remuneration and Staff Report. | We discussed with management where the changes had to be made. They accepted the recommendations and updated the disclosures to bring these in line with the minimum requirements of the guidance but there remains scope for further improvement.<br>As part of the preparation for the 2023/24 Annual Report and Financial Statements management should consider the disclosures against the required guidance and Audit Scotland's good practice notes on these areas.<br>**Recommendation 1** |

<table>
<tr><th>Issue</th><th>Resolution</th></tr>
<tr><td>
2. Fixed asset register
Our review of the fixed asset register identified the following:
<ul>
<li>Intangible assets: Intangible assets with a Net Book Value of £0.177 million were incorrectly recorded within the Computer Equipment asset category.</li>
<li>Fully depreciated asset: The Eco-House was fully depreciated in prior years but found to still be in use. As such, the asset was over depreciated.</li>
<li>Revaluation Reserve: Our testing identified that the Revaluation Reserve is held as a total for all Land and Buildings, and as such it would be difficult to identify the Revaluation Reserve for individual components within the college estate. This represents a risk to the appropriate allocation of any future revaluations.</li>
</ul>
</td><td>
Where required management have made the necessary adjustments to the Financial Statements. These have resulted in:
<ul>
<li>The Intangible Assets have been re-classified and moved to a separate Note within the Financial Statements.</li>
<li>The Eco-House has been re-lived resulting in a depreciation increase of £0.036 million in 2022/23 in the SoCI and a £0.136 million reduction in the Revaluation Reserve.</li>
</ul>
The next revaluation is due to take place in 2023/24. Management needs to map the assets on its register to the identified components of its estate to ensure the accuracy of the financial records. This should include the movement on each component within the Revaluation Reserve arising from the revaluation (where appropriate).
The fixed asset register should be reviewed to ensure the data and entries within it are accurate. This should be carried out alongside incorporating the adjustments arising from the next revaluation as at 31 July 2024, and in advance of next year’s audit.
Recommendation 2
</td></tr>
<tr><td>
3. Transfer from Revaluation Reserve to General Fund
A transfer should be made from the Revaluation Reserve to the General Fund for assets measured at current value. This should reflect the difference between the actual depreciation charged on those assets in year and the depreciation that would have been charged if these assets were carried at historical cost.
No transfer had occurred in 2022/23 or the prior year.
</td><td>
Management have adjusted for this in the audited Financial Statements.
This resulted in a movement of £0.586 million between the Revaluation Reserve to the General Fund within the Statement of Changes in Reserves.
</td></tr>
</table>

| Issue | Resolution |
|---|---|
| **4. Pension balance**<br>The pension balance represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this liability.<br>The college is a member of Strathclyde Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the Annual Report and Financial Statements. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates.<br>The Strathclyde Pension Fund actuary provided an estimate of the college's asset as at 31 July 2023. The college's 2022/23 valuation showed an asset of £5.758 million (2021/22: asset of £2.391 million).<br>The amount that can be recognised as an asset is limited to the estimated future service cost less the minimum contribution required, otherwise known as the asset ceiling.<br>As required by accounting standards, the asset shown in the college's Balance Sheet has been reported as a nil balance. | This is included for information due to the large year-on year movement in the pension balance.<br>We are satisfied that the college's disclosure, and accounting treatment, of its pension balance complies with required accounting practices. |

# 2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

## Main judgements

The college reported an operating deficit of £1.023 million and an adjusted operating deficit of £0.253 million for the year to 31 July 2023.

The college has a well-established budget monitoring and reporting process in place.

There were no significant weaknesses identified from our review of the design and implementation of the key controls within the main financial systems.

### The college reported an operating deficit of £1.023 million and an adjusted operating deficit of £0.253 million for the year to 31 July 2023

**26.** The college reported an operating deficit for the year to 31 July 2023 of £1.023 million (£1.204 million in 2021/22) in its Statement of Comprehensive Income (SoCI).

**27.** The position reported in the SoCI includes the impact of non-cash charges such as depreciation and pension adjustments, and capital grants recognised as income. To enable an assessment of the underlying financial strength of an institution, and allow comparison across institutions, the Scottish Funding Council requires colleges to also report the underlying operating position for the year by adjusting for these items and any one-off exceptional items impacting on the annual position reported in the SoCI.

**28.** The adjusted operating position of the college, reported within the Performance Report, shows a deficit of £0.253 million for the year to 31 July 2023 (surplus of £1.078 million in 2021/22). The position reported in 2022/23 is reflective of the challenging financial environment the college has been operating in as it has a recent history of achieving an underlying operating surplus.

**29.** Despite these challenges, the college was successful in delivering its credit targets for 2022/23, with this directly linked to most of its income recognised in the Financial Statements.

**30.** In 2022/23 the college made good progress in addressing historical governance issues (discussed further at paragraphs 74 to 78). However, this process resulted in further non-recurring costs of around £0.420 million in 2022/23, in addition to costs of £0.450 million incurred in 2021/22.

### The college, and the sector is increasingly reliant on SFC funding

**31.** SFC grant funding accounted for 82% of the college's income in 2022/23 (81% in 2021/22), exhibit 4. The national average, based on the SFC's review of 2021/22 college data, was 78%.

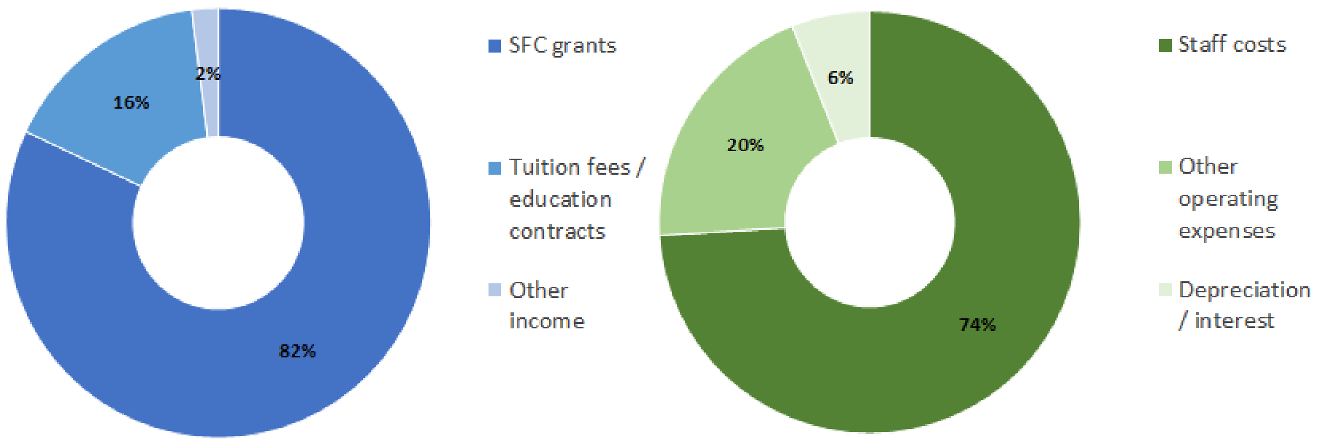
**32.** The college's Financial Forecast Return (FFR) indicates that SFC grant income will account for 84% of the college's total income next year, exhibit 5. Further comment on the 2023/24 budget and the FFR is detailed in section 3 of this report.

### The college's staff costs as a percentage of its total expenditure are above the national average

**33.** Staff costs accounted for 74% of the college's total expenditure in 2022/23 (72% in 2021/22), exhibit 4. The national average, based on the SFC's review of 2021/22 college data, was 69%.

**34.** The college's FFR indicates that staff costs will account for 71% of the college's total expenditure next year, exhibit 5. Further comment on the 2023/24 budget and the FFR is detailed in section 3 of this report.

## Exhibit 4
Analysis of 2022/23 income and expenditure




Source: South Lanarkshire College 2022/23 Annual Report and Financial Statements

## The college has a well-established budget monitoring and reporting process in place

**35.** The college monitors its budget position through the budget monitoring reports presented to each meeting of the Finance and Resources Committee. The budget monitoring reports provide an overall picture of spend against budget, disclose the forecast outturn, and include a good level of detail in the narrative to explain the main budget variances.

**36.** From our review of budget monitoring reports and other relevant committee papers, we confirmed that members and senior management receive regular, timely and up-to-date information on the college's financial position. This allows both members and senior management to carry out effective scrutiny of the college's finances.

**37.** Our view is supported by internal audit who in 2022/23 undertook a review of the college's budgetary control arrangements. Whilst some areas for improvement were identified, overall internal audit considered the arrangements to be satisfactory.

## There were no significant weaknesses identified from our review of the design and implementation of the key controls within the main financial systems

**38.** As part of our 2022/23 audit, we evaluated the design and implementation of the key controls operating over the main accounting systems. Our objective was to gain assurance that systems for processing and recording transactions provide a sound basis for the preparation of the Financial Statements.

**39.** We did not identify any significant control weaknesses from this work.

## Internal audit reported that the college had adequate and effective risk management, control, and governance arrangements in place during 2022/23

**40.** The college's internal audit function is carried out by Henderson Loggie. The internal audit service, in any organisation, is an important element of internal control. It provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

**41.** We considered internal audit's annual report as part of our review of the Governance Statement included in the 2022/23 Annual Report and Financial Statements. This provided internal audit's opinion that the college had adequate and effective arrangements for risk management, control, and governance in place during 2022/23.

## There are appropriate arrangements in place for the prevention and detection of fraud and other irregularities

**42.** The college has a range of established procedures for preventing and detecting fraud and irregularity including whistleblowing, fraud and gifts and hospitality policies and codes of conduct for staff and members of the Board of Management

**43.** The college continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. For the 2022/23 exercise, the college has engaged positively with the process and had made good progress in reviewing all very high-risk matches.

**44.** We have concluded that adequate arrangements are in place for the prevention and detection of fraud and other irregularities. In addition, our review of expenditure and income during the audit did not highlight any issues with the regularity of the college's transactions, or any instances of business decisions being taken that did not appear to reflect value for money.

# 3. Financial sustainability

Financial Sustainability looks forward to the medium and long-term to consider whether the college is planning effectively to continue to deliver its services.

## Main judgements

Pressures arising from the wider economic environment together with proposed flat cash funding settlements will require colleges to make difficult decisions to achieve financial sustainability.

The 2023/24 budget and the Financial Forecast Return reflect the challenging financial environment the college is operating in.

## Pressures arising from the wider economic environment together with flat cash funding settlements will require colleges to make difficult decisions to achieve financial sustainability

**45.** In its Scotland's colleges 2023 report Audit Scotland highlighted the significant challenges that colleges across Scotland face, both in the short and medium to longer-term. There is a need for colleges to balance the delivery of high-quality learning with the difficult financial decisions required to remain financially sustainable in the medium to longer-term.

**46.** These decisions need to be made against a backdrop of the current cost of living crisis, impact of inflationary increases and the competition from private training providers and universities which have the potential to impact on the retention of students and staff. Additionally, the flat-cash funding settlement from the Scottish Government (SG) to the sector in recent years represents a reduction in real terms of 8.5 per cent from 2021/22 to 2023/24. Taken together, the college sector faces challenging years ahead.

**47.** The Audit Scotland report emphasised the need for the SG and the Scottish Funding Council (SFC) to clarify the expectations and priorities for the sector for the medium and long-term, but also support colleges in planning for change now and making best use of available funding.

## The 2023/24 budget reflects the challenging financial environment the college is operating in

**48.** The impact of the financial environment in which the college is operating in presented significant challenges to its 2023/24 budget. The draft 2023/24 budget was presented to the Board of Management in June 2023. This outlined a number of scenarios, all of which showed a deficit for 2023/24. At the meeting, members agreed to approve a deficit budget for 2023/24 but instructed management to complete a savings exercise to reduce this deficit in year with the aim of achieving balanced position for the 2024/25 budget.

**49.** The 2023/24 budget paper was supported by extensive narrative on key assumptions and included a risk assessment assessing the likelihood and impact of any potential adverse and / or favourable movements. The main uncertainty impacting on the budget was in relation to staff costs as the pay increases for the sector has not been agreed for 2022/23 and 2023/24. The paper set out draft scenarios to demonstrate to members the best and possible worst case deficit budgets for the year ahead. These were:

- assuming a 3% salary award due for September 2022 and 2023 - deficit of £0.761 million
- assuming a 5% salary award due for September 2022 and 2023 - deficit of £1.340 million
- flat cash settlement with a £3,500 award for lecturing staff and £1,500 for award for support staff at both dates - £1.780 million.

**50.** In addition to the impact of costs pressures on the budget, the SFC's rebasing of credit allocations for all colleges in 2023/24 adversely impacted on the college. Due to New College Lanarkshire (NCL) having failed to achieve its credits target in recent years, the Lanarkshire Region received a further funding reduction of 0.75%. The SFC funding is allocated to the Lanarkshire Region which is then split between NCL and South Lanarkshire College (SLC) under the terms of The Lanarkshire Colleges Order 2014. Any change to the allocation split would only arise if the Lanarkshire Regional Strategic Body (LRSB) decided otherwise. The LRSB did not change the split and accordingly SLC's funding for 2023/24 was reduced by around £0.105 million.

**51.** To help address the financial issues and balance budgets, the SFC expects that colleges will strive to increase non-SFC income and reduce their costs.

**52.** As seen in exhibit 5, the college's Financial Forecasts Return (FFR), submitted to the SFC in August 2023, highlights a continued reliance on SFC income over the medium-term. We recognise that the college has taken steps to try and increase non-SFC income but its reliance on this funding is not expected to change much over this period. This position is reflected in the 2023/24 budget.

**53.** Exhibit 5 also shows that staff costs will continue to account for over 70% of the college's cost base in the medium-term. This should dictate that the college adopts a strategic approach to workforce and succession planning. Effective workforce planning should be linked to and integrated with the core planning documents of the college including its strategy 2020 - 2025 and financial plans. Our view is shared by the Scotland's colleges 2023 report which highlights the need for effective and affordable workforce planning. This is more important than ever given the challenges faced by the sector. The college has in place an HR & People Strategy 2022-2025 that aims to: *achieve the strategic goals of the Board of Management, taking into account internal and external factors as well as development opportunities*.

**54.** Workforce issues including wellbeing, recruitment and retention are increasingly important. To be effective workforce planning must be supported by good data and information. This data will help identify what skills the workforce has and where there are gaps and what skills, and staff will be needed to deliver future services and priorities. To that end, the college's proposed new HR and Payroll system should help support the efficiency of the organisation with better data being made available to aid in decision making.

**55.** The college does not have a history of running voluntary severance schemes and instead aims to ensure efficiency with its staffing. The 2023/24 budget assumes a 30% reduction in temporary staffing. It proposes that under-utilised full-time lecturing staff will be used across some curriculum areas and to cover for sickness as far as possible. In addition, no overtime or additional temporary staffing will be provided without the approval from the Senior Leadership Team and evidence that all staff are fully deployed.

**56.** The college recognises the importance of its staff to the delivery of its priorities and outcomes. Any future decisions on the reduction of this cost base should be informed by strategic thinking, comprehensive workforce data and ongoing consultation and engagement with staff and trades unions to balance the negative impact on staff morale and student experience.

## Exhibit 5

FFR projected SFC income and staff costs 2023/24 to 2025/26

| Description | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|
| SFC income as a percentage of overall college income | 84% | 84% | 83% |
| Staff costs as a percentage of overall college expenditure | 71% | 73% | 73% |

Source: South Lanarkshire College 2022/23 Financial Forecast Return

## The college's Financial Forecast Return shows recurring deficits up to 2025/26, reflecting the financial pressures on the college and the sector

**57.** The Financial Forecast Return (FFR) is an established part of the Scottish Funding Council's (SFC) financial health monitoring framework. The FFR allows the SFC to monitor and assess the medium-term financial planning and health of colleges.

**58.** In May 2023, the college were advised of the format and assumptions to be used for the 2022/23 FFR. The return covered the academic years 2022/23 to 2025/26. The FFR was considered by the college's Finance and Resources Committee in August 2023 prior to this being submitted to the SFC. The accompanying paper explained the format and content of the return, including the assumptions used and the proposed actions to further mitigate the impact of the financial challenges facing the college. The paper also provided additional context for Board members on the current economic and financial pressures being experienced and how these affect the future financial projections.

**59.** The FFR submitted by the college indicated a challenging financial position over the medium-term. A projected underlying deficit for all years covered by the FFR was indicated, exhibit 6. The projected underlying closing cash positions for 2023/24 to 2025/26 are also shown in exhibit 6. The college has identified that its cash position is sustainable for the short-term but there remains a financial sustainability risk in the medium-term, with cash funds forecast to be exhausted by 2025/26.

### Exhibit 6
FFR projected underlying operating and closing cash balance positions

| Description | 2023/24 £'million | 2024/25 £'million | 2025/26 £'million |
|---|---|---|---|
| Underlying operating surplus / (deficit) | (£0.141) | (£1.096) | (£1.635) |
| Closing cash position | £2.249 | £0.957 | (£0.866) |

Source: South Lanarkshire College 2022/23 Financial Forecast Return

**60.** The SFC's Financial Memorandum with colleges requires them to plan and manage their activities to remain sustainable and financially viable. The SFC expects colleges to aim to achieve a balanced budget each year. However, where a deficit is projected in any year, colleges should have plans in place to achieve a balanced position over the forecast period.

**61.** As part of the accompanying paper to the FFR, the college noted proposed actions, including the pros and cons of each, to help reduce the identified deficits in its FFR. These included:

- The ongoing review of staffing levels. Whilst there are no plans to introduce a voluntary severance scheme in 2023/24, the college will continue to review this position as part of its annual budget setting process.
- Linked to the above, the college plans to retain all permanent staff for 2023/24 but will review vacancies as they arise with the default position being that these will not be filled immediately.
- Assessment of curriculum and service provision to ensure course efficiencies.

**62.** The college is committed to minimising the forecasted deficits. Management and members have a clear view of the financial challenges and medium-term risks the college faces. We recognise that there is only so much direct control the college has when it comes to presenting a balanced budget and that even those controllable actions have the potential to create adverse impacts on staff and students.

**63.** As highlighted in exhibit 5, staff costs are the biggest expense to the college. The FFR indicates the substantial additional costs to the college should pay settlements be higher than the 3% assumption the SFC asked colleges to use.

**64.** The college has well-established budget monitoring and financial management arrangements in place and has a history of delivering on its credits target. These will be important in ensuring it withstands the challenging forecasted financial demands that will continue during 2023/24 and into the medium-term. However, until such time as either additional funding is made available or the college can identify and implement cost efficiencies and develop its additional income streams, we consider there are concerns over the financial sustainability of the college in the medium to longer-term.

## The Strategic Plan 2022-27 recognises the college's role in combatting the climate emergency. The college has a Climate Emergency Action Plan that sets out the aims and ambitions to achieve the targets set by the sector and the Scottish Government

**65.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75 per cent reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**66.** The college sector has a vital role to play in supporting both the development and delivery of low and zero-carbon infrastructure in Scotland. The sector published its commitment to tackling the climate emergency, including an ambition to achieve net zero by 2040, five years earlier than the national target of 2045.

**67.** We have considered how climate change and sustainability is factored into the college's strategic priorities, its action plan, and targets for reducing its emissions, and the monitoring and reporting arrangements of these.

**68.** The climate emergency is included as part of the college's "Sustainable Behaviours" strategic priority in its strategy 2020 - 2025. To help it achieve this, the college has in place a new Climate Emergency Action Plan published in March 2023. This is linked to Colleges' Scotland statement and timeline to tackle the climate change emergency.

**69.** The college has in place a Sustainability Group which has representatives from the Student Association, all college departments, and curriculum areas. This group meets four times per year to monitor, implement and promote the sustainable behaviours set out in the action plan. The Sustainability Group reports on the progress of the plan and its outcomes to the college Senior Leadership Team and Board of Management.

**70.** Within its 2022/23 Annual Report and Financial Statements, the college discloses its work and progress in responding to the Climate Emergency. The report notes that since the base year of 2009/10 the college has been successful in reducing its electricity, gas, and water consumption.

**71.** The college is transparent in its reporting against its responsibilities under the Climate Change Act (Scotland) 2009 and has an area on its website regarding sustainability. It also discloses its work and progress on sustainability in its Annual Report and Financial Statements.

**72.** The college is required to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed on it by the Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 and the Climate Change (Scotland) Amendment Order 2020. The information returned by it is compiled into a national analysis report, published annually on the Sustainable Scotland Network website. This includes data for all public sector organisations and supersedes the previous requirement for public bodies to publish individual sustainability reports.

**73.** The college is well sighted on its role in tackling the climate emergency and has shown a clear commitment to work towards the national targets.

# 4. Vision, leadership, and governance

The college must have effective scrutiny and oversight arrangements in place and be transparent in the reporting of its key strategic decisions.

## Main judgements

The college has responded positively to the recommendations set out in the 2020/21 and 2021/22 statutory reports and has complied fully with the Code of Good Governance for Scotland's Colleges in 2022/23.

New appointments have been made to the college's Board of Management. A new Principal and Chief Executive was appointed in April 2023. In addition, the college has recently made other key staffing appointments which taken together should strengthen its strategic leadership.

## The college has responded positively to the recommendations set out in the 2020/21 and 2021/22 statutory reports

**74.** As a result of a number of significant issues identified in the auditor's 2020/21 audit of the college, the Auditor General for Scotland reported to the Scottish Parliament's Public Audit Committee in April 2022 under section 22 of the Public Finance and Accountability (Scotland) Act 2000. This report drew the Parliament's attention to issues relating to weaknesses in governance at the college that were identified in the auditor's 2020/21 audit. There were five recommendations raised as part of this report.

**75.** A further section 22 report was published in June 2023 on the 2021/22 audit, following up on the issues raised in the prior year report to Parliament. This was considered by Parliament in June 2023. Of the five recommendations, the auditor considered that the college had made progress on four of these, two of which had been fully implemented.

**76.** The June 2023 reported concluded that: *the college was fully compliant with the Code of Good Governance for Scotland's Colleges by 31 July 2022.*

**77.** The Auditor General for Scotland asked that as part of our 2022/23 audit that we continue to review governance arrangements in the college, including:

- monitoring the college's progress against outstanding recommendations from the June 2023 section 22 report (exhibit 7).
- monitoring the implementation of the college's rolling governance review programme (exhibit 7 and paragraphs 79 to 86).

**78.** We have detailed our assessment of the college's progress with the three open recommendations in exhibit 7.

## Exhibit 7

Progress on outstanding 2020/21 recommendations

| Audit recommendation 2020/21 | Auditor's 2021/22 assessment of progress | Audit Scotland's 2022/23 assessment of progress |
|---|---|---|
| **Board and committee meeting timetabling**<br>There were no board meetings for five months, between the meetings on 8 June and 4 November 2021. The audit and risk committee did not meet for regular business for six months, between May and November 2021.<br>The reporting timetable of the board and its committees should be timed so that there is a timely and efficient report to the Lanarkshire Board following meetings. | **Mostly implemented**<br>Improvements in collaboration between the college's board and the Lanarkshire Board have been made through cross-over attendance at both boards' committee meetings.<br>Timetabling of meetings has been revisited but there remains scope for further improvement. | **Fully implemented**<br>The college Board and committee meetings have occurred per the agreed schedule of meetings during 2022/23.<br>The timetables of the college and the Lanarkshire Regional Strategic Body (LRSB) are as fully aligned as possible. The Schedules of the two Boards are fully aligned in that the sequence of meetings of the two Boards is a matter of agreement between the respective Governance Professionals.<br>Representatives of the LRSB are invited to all the substantive committee meetings of the college. Conversely, representatives of the college attend the equivalent LRSB meetings. |

| | | |
|---|---|---|
| **Monitoring progress on reviews' recommendations**<br>In order to ensure that recommendations made by a series of external reviews during 2021 are progressed appropriately, the college must ensure that it embeds and sustains the action plans that have been put in place, including the governance improvement plan.<br>In particular, it needs to ensure that robust monitoring and reporting processes are in place and maintained, and that challenge, scrutiny and escalation arrangements are in place to drive the improvements required to the college governance framework, as recommended by the reviews. | **Mostly implemented**<br>The auditor considers the Governance Improvement Plan has been generally implemented in 2021/22, with close monitoring by the Board of Management. | **Fully implemented**<br>The Governance Improvement Plan was approved for closure in December 2022 by the Board of Management. A template for the "Governance Rolling Review" was agreed with the internal audit service and approved by the college Board of Management in December 2022. The college Governance Professional has worked with the internal audit service to produce a definitive version to lay before the Board early in the academic year 2023/24 for formal adoption.<br>See paragraphs 79 to 86 for further information. |
| **Board member tenure**<br>The college appointed six new Board members in November 2021. All members were appointed with the same tenure of four years.<br>The college should take action to reduce or extend the tenure of some of these Board members, to allow for a level of continuity in Board membership at the end of these tenures. | **Not yet implemented**<br>The auditor reports that the college anticipates some forthcoming changes to the Board's composition.<br>The college is actively seeking to recruit new members and will consider the tenure of new Board members when it appoints them. | **Fully implemented**<br>See paragraphs 93 to 96 for further information. |

Source: Audit Scotland

## The college has complied fully with the Code of Good Governance for Scotland's Colleges in 2022/23

**79.** The Board of Management is responsible for the overall governance of the college. It is responsible for ensuring the governance framework is operating as intended, together with the monitoring of the adequacy and effectiveness of these arrangements.

**80.** The Board's review of Governance in 2020/21, identified four breaches of the 2016 Code of Good Governance for Scotland's Colleges (the Code). These were covered by the statutory reports referenced in paragraphs 74 to 78 above. The college established a Governance Improvement Plan (GIP) to help it address these issues.

**81.** In November 2022 internal audit reported on the college's GIP. Based on the evidence obtained for their review, they were satisfied that 13 of the 16 actions in the plan were complete. As such, internal audit recommended that the remaining actions in the GIP were included into a rolling Governance Action Plan (GAP). The GAP will be topped up by any actions arising from the college's annual self-evaluation exercise conducted against the Code. This will be reported to the Board and Audit and Risk Committee regularly throughout the year for their review and scrutiny.

**82.** The 2022/23 Accounts Direction confirmed that the 2016 version of the Code of Good Governance for Scotland's Colleges continues to apply for 2022/23. A revised version, issued in September 2022, will be adopted by the sector in 2023/24. The college undertook a self-evaluation against this as part of its GAP. This review was undertaken in December 2022 and the new Code was subsequently adopted by the Board of Management.

**83.** Within its 2022/23 Governance Statement, the college discloses that*: The Board is of the view that as at 31st July 2023, it was fully compliant with the Code of 2016 in every particular and that a comprehensive Governance Improvement Plan has been completed. In addition, the College is now fully in line with the September 2022 edition of the Code of Good Governance which demonstrated further its commitment to sound corporate governance.*

**84.** The Code requires the college's Audit and Risk Committee (ARC) to support the Board of Management and the Principal by reviewing the comprehensiveness, reliability and integrity of assurances including the college's governance, risk management and internal control framework.

**85.** From our attendance at ARC meetings during the year, members demonstrate an understanding of their responsibilities and there was effective scrutiny and challenge of management, internal and external audit.

**86.** Based on our review of the evidence in support of the college's self-evaluation against the Code, our knowledge and understanding of the college, together with our assessment on the college's progress with the recommendations in exhibit 7, we consider that the college was fully compliant with the Code throughout 2022/23. We will continue to monitor the college's progress with its rolling GAP and its compliance with the Code over the course of our audit appointment.

## The college conducts its business in an open and transparent manner

**87.** There is an increasing focus on how public money is used and what is achieved. Transparency means that the public have access to understandable, relevant, and timely information about how the college is taking decisions and how it is using resources such as money, people, and assets.

**88.** There is evidence from several sources which demonstrate the college's commitment to openness and transparency:

- The agendas, papers and minutes of the Board of Management and other committees are published on the college's website on a timely basis.
- The college makes its Annual Report and Financial Statements available on its website. These include a Performance Report which adequately explains the college's financial performance and use of resources for the year.
- The college website provides the public with access to a wide range of corporate information including details of its strategy, performance information, and equality and diversity reporting.

**89.** Overall, we consider the college conducts its business in an open and transparent manner.

## The college is keen to re-start the process to dissolve the Lanarkshire Strategic Regional Body

**90.** As part of its October 2022 review into Scotland's three multi-college Regional Strategic Body's' the SFC recommended that the Lanarkshire Strategic Regional Body be dissolved, with both colleges managing themselves as separate regional entities.

**91.** As detailed in Audit Scotland's September 2023 national report the Scottish Government has acknowledged several recent national reviews have recommended major changes that would affect the college sector. They all bring both challenges and opportunities for the Scottish Government and colleges. To be in the best position to take advantage of these changes and opportunities, and to continue to support learners and deliver for the South Lanarkshire community, the college is keen to re-start the process to dissolve the Lanarkshire Strategic Regional Body and operate as a free-standing organisation.

**92.** South Lanarkshire College recognises that the circumstances it found itself in over the past few years (discussed at paragraphs 74 to 78), together with the Covid-19 pandemic, resulted in delays to the dissolution process. However, in May 2023 the college Principal wrote to the SFC Chief Executive noting the college's desire to progress the dissolution process. The SFC acknowledged this and agreed to discuss the matter further but the timetable for the dissolution has still to be agreed. The college should continue to engage with New College Lanarkshire and the SFC to agree a timetable for dissolution of the Lanarkshire Strategic Regional Body.

## New appointments have been made to the college's Board of Management

**93.** The South Lanarkshire College Board of Management had sixteen members including two staff representatives, two student representatives and the Acting Principal during 2022/23.

**94.** Five new Board appointments were made in August 2023. These appointments bring a range of expertise to the Board in key areas of Finance, Governance, Cyber Security and Risk Management.

**95.** The new appointments have ensured the college continues to meet its responsibilities under the terms of the Post-16 Education (Scotland) Act 2013. The Act states that the college Board of Management cannot operate legally with fewer than 13 members and should have no more than 18. Following the new appointments, the college has 18 members.

**96.** We are aware that four current Board members are coming to the end of their term of appointment. In response to one of the recommendations in the section 22 report, the college is adopting a phased approach to their termination dates. The college has confirmed it will undertake a further recruitment process for non-executive Board members with the intention of maintaining Board membership at its full complement of 18 members. The appointment of the five new Board members, and subsequent recruitment to replace the four outgoing members will create mixed tenures across the Board of Management. This should help in the succession planning and stability of the Board as future changes will be staggered to reflect the different terms of appointment.

## A new Principal and Chief Executive was appointed in April 2023. In addition, the college has recently made other key staffing appointments which should strengthen its strategic leadership

**97.** Investigations into the governance matters discussed at paragraphs 74 to 78 commenced in January 2022 and concluded in January 2023. At the January 2023 Board of Management meeting, the Principal, who had been suspended for the duration of the investigation, had their contract terminated. The Interim Clerk to the Board had also been suspended during that period and they also had their contract terminated following the meeting.

**98.** Following a competitive recruitment process, the college's Depute Principal was appointed as the new Principal and Chief Executive in April 2023. When considering a replacement for this newly vacated post, the college took the opportunity to strengthen its senior leadership through the removal of the

Depute Principal role and created two Vice Principals, one for Learning, Teaching and the Student Experience and one to cover Finance, Resource and Sustainability. Appointments were made to both positions in September 2023.

**99.** In addition to these appointments, in October 2023 the college appointed a new Governance Professional who takes over from the Independent Acting Clerk who was in post to support the college throughout the duration of the Interim Clerk to the Board's suspension and subsequent dismissal. The Governance Professional has an important governance role in advising the Board of Management, committees, and individual Board members. They also work to support good governance within the college. The college's recruitment to this role is further evidence of its compliance with the Code.

# 5. Use of resources to improve outcomes

The college needs to make best use of its resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and stakeholders.

## Main judgements

The college has arrangements in place to promote and secure Best Value.

The college has a clear strategic plan, and its performance has improved in key areas during 2022/23.

### The college has arrangements in place to promote and secure Best Value

**100.** The Financial Memorandum (FM) sets out the formal relationship between The Lanarkshire Board and South Lanarkshire College (SLC) and the requirements with which SLC must comply in return for payment of grant funding by The Lanarkshire Board. The FM requires SLC to:

- have a strategy for systematically reviewing management's arrangements for securing value for money, and
- as part of internal audit arrangements, to obtain a comprehensive appraisal of management's arrangements for achieving value for money.

**101.** Securing the economical and effective management of the college's resources and expenditure is the responsibility of the Board of Management.

**102.** Internal audit does not consider value for money as a standalone review; however, they consider this within all their audits. Internal audit did not raise any concerns over value for money in 2022/23 and their annual report for 2022/23 provided their opinion that '…proper arrangements are in place to promote and secure Value for Money'.

**103.** We have not undertaken any specific Best Value work in 2022/23. However, based on our findings in this report, we consider that the college has arrangements in place to secure Best Value. This is evidenced through:

- a clear Strategic Plan and performance reporting, including its framework for continuous improvement.
- established governance and decision-making framework.
- recognition that strategic priorities must be delivered within the financial and workforce resources available.

## The college has a clear strategic plan, and its performance has improved in key areas during 2022/23

**104.** The Regional Outcome Agreement is a formal signed document between the Lanarkshire Regional Strategic Board (which includes South Lanarkshire College) and the Scottish Funding Council (SFC) which commits the college to deliver several outcomes and outputs as a condition of the funding received.

**105.** The agreement also maps planned outcomes for the region and college to SFC strategic priorities. This is a set of measures for the college that are monitored and reported on by the SFC. The college's funding is closely linked to its performance against these. As such, these measures are a key area of focus for the Board of Management with most of the SFC strategic priorities covered by the college's own key performance indicators (KPIs) that are linked to its strategy.

**106.** The college's strategy 2020 - 2025 sets out the college's vision to: "be Scotland's leading college; delivering excellence." This vision is underpinned by three strategic priorities:

- Successful students
- Highest-quality education and support
- Sustainable behaviours

**107.** Each of the strategic priorities have a number of KPIs assigned to them. Data from the 2018 Annual Report and Financial Statements was used as the baseline. The colleges performance is reviewed by the Board of Management and details of the college's progress against the strategic priorities and KPIs is reported annually in the Annual Report and Financial Statements and to the Board of Management each December.

**108.** The performance data suggests that overall, the college's performance has improved in 2022/23. Further comment on some of these performance measures is detailed in the sections below.

### The college delivered on its core credits target in 2022/23

**109.** The SFC's recurring grant to the college is based on the amount of learning that it delivers. This is measured in units called 'credits' which equate to 40 hours of learning. The college has a strong track record of meeting and exceeding its credits targets and again exceeded the SFC core target (48,812 credits), reporting delivery of 48,843 credits in 2022/23. The college's internal auditor carries out annual checks to confirm the accuracy of the reported credits.

### The college's successful student outcomes are above the Scottish average

**110.** We recognise that the 2019/20, 2020/21 and 2021/22 academic years were impacted by the Covid-19 pandemic, with alterations to exam and assessment arrangements during this time making direct, year-on-year comparisons difficult. However, what can be compared is the college's position within the sector. Exhibit 8 shows that the college continues to perform well when compared with the Scottish average for successful student outcomes. It was the best performing college in Scotland for full-time further education (FE) and full-time higher education (HE) outcomes in 2021/22. At the time of writing, the latest available national performance data relates to 2021/22.

**111.** The college's 2022/23 Regional Outcome Agreement with the SFC set projected figures for the areas in exhibit 8. The college's successful outcomes trend remains positive and above the Scottish average based on the 2021/22 data.

## Exhibit 8
Successful outcomes - trend analysis 2019/20 to 2022/23

| Mode | 2019/20 | 2020/21 | 2021/22 | Scottish average 2021/22 | 2022/23 | 2022/23 ROA projection |
|---|---|---|---|---|---|---|
| Full-time FE | 71.1% | 62.3% | 60.8% | 59% | 67.2% | 61.3% |
| Full-time HE | 77.7% | 77.9% | 68.7% | 62.5% | 69.9% | 72.1% |
| Part-time FE | 77.2% | 78.4% | 73.9% | 76.3% | 89% | 76.3% |
| Part-time HE | 84.9% | 85.7% | 80.4% | 78.8% | 68.4% | 81.3% |

Source: SFC: College Performance Indicators 2021/22 and South Lanarkshire College 2022/23 Annual Report and Financial Statements

### The college has seen its withdrawal rates decrease year-on-year which is in stark contrast to the increased withdrawal rate nationally

**112.** Nationally, before the pandemic, around one in four (24.7%) full-time further education (FE) students failed to complete their college course in 2018/19 (23.4% at South Lanarkshire College). The proportion of students withdrawing from courses fell in 2019/20, to around one in five (20.8%) full-time

FE students. Withdrawal rates nationally subsequently increased noticeably in 2020/21 (to 27.3%), with fewer full-time FE students successfully completing their course and achieving their intended qualification than before the pandemic. Withdrawals rates for full-time higher education (HE) were 17.6% on average nationally in 2020/21.

**113.** The SFC's College Performance Indicators 2021/22 data shows that for 2021/22, nationally, there has been an increase in FE withdrawals (now 29.3%). South Lanarkshire College's full-time FE withdrawals rate of 19.9% was significantly below the national average for 2021/22 and is an improvement on its 2020/21 position (22.0%). Its full-time HE withdrawal rate was 21.5%. This was below national average of 23.6% for 2021/22.

**114.** The college's withdrawal rate decreased in 2021/22, despite the opposite trend occurring on an average basis nationally. The Audit Scotland 2022 national report noted that the reasons behind students not completing college courses are wide and varied. National surveys suggest that student poverty, mental ill health, and financial difficulties could be contributing factors.

**115.** The data for 2022/23 is still to be confirmed by the SFC but the college anticipates its withdrawal rates will be comparable it not slightly decreased for both full-time FE and HE courses indicating further progress in this area.

**116.** The college has undertaken an extensive amount of work in recent years and put in place additional resources to better support students to complete their courses to help limit further withdrawals. This has included:

- A commitment from the college, alongside its Student Association, to support the mental health of students. The 2022/23 Student Mental Health Agreement outlines the activities, and their impact, that are in place to address identified concerns that could impact on student mental health. A range of support services sit alongside this, including free student counselling.

- Support to students through the cost-of-living crisis. The Student Association has provided over 17,000 servings of free soup, sandwiches, and breakfast to students.

**117.** It is clear this support and the wider college environment is appreciated by students. The student survey results for 2022/23 indicated that overall student satisfaction was 87%. The arrangements and student environment put in place by the college have also received positive comment from Education Scotland in its May 2023 report. The report highlighted that:

- Most learners value the flexibility, enthusiasm, and responsiveness of teaching staff to meet their individual needs.

- Support Services staff make good use of neurodiversity training to meet the varied needs of learners and provide good access to a range of services to support wellbeing.

- All learners have access to a class representative and learners undertaking this role benefit from the support they receive from the college.
- Staff are making effective use of college data systems to better target support for learners that have protected characteristics or are experiencing hardship.

## Good practice - student support

The college has established a range of services to better support students to complete their courses and help mitigate against course withdrawal.

### The college is facing increased competition for student enrolments but is confident of achieving its 2023/24 credits target

**118.** Over the last 10 years the total sector student enrolments of 322,322 in 2021/22 was second only to the 2018/19 pre-pandemic peak of 328,889 (College Statistics 2021/22). The increase can be linked to the return to on-campus study following the pandemic, with students able to commence studies previously deferred from prior years.

**119.** The college reports regularly on student recruitment to its Curriculum, Quality and Development Committee. A paper taken to the committee in August 2023 noted that whilst applications are on a par with previous years and offers slightly ahead, the conversion of applications to enrolment has been more challenging.

**120.** Several factors have contributed to this including increased competition from apprenticeships, universities allocating additional places to school leavers, and their acceptance of HNC level students. Additionally, the impact of Action Short of Strike Action, which has involved members ‘working to rule', has meant that staff have boycotted the marking and issuing of results. This in turn has impacted on students who require their results to progress onto further study or employment.

**121.** However, the college remains confident of meeting its credits target for 2023/24 and has been proactive in tackling these recruitment challenges. It continues to engage with schools to highlight the college as a viable next step and it has invested in paid promotional and advertising activities to raise awareness of its offering. It has taken steps to revise its curriculum to reflect the national funding reduction in 2023/24. In doing so the college aims to focus on the quality of its provision and recruitment to areas of high demand such as Healthcare Practice, Social Work, Childhood Practice and Social Science.

**122.** The college’s funding is closely linked to student success, retainment, and recruitment rates. Maintaining these will be important if the college is to meet its 2023/24 credits target. This has funding implications for the college as substantial reductions in its student numbers would add to its already challenging medium-term financial position.

# Appendix 1: Action plan 2022/23

## 2022/23 recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|
| **1. Disclosures in the Annual Report and Financial Statements**<br>The Performance Report, Governance Statement and Remuneration and Staff Report required updating to ensure compliance with the FReM, SPFM and Accounts Direction. Management have now included all relevant disclosures but should review arrangements for preparing the Annual Report and Financial Statements in future years.<br>**Risk:** Disclosures do not comply with the applicable guidance. | Management should review all sections of the Annual Report and Financial Statements to ensure that appropriate sectoral requirements have been made prior to submitting for external audit.<br>Exhibit 3 | **Action Agreed**<br>Yes. The College agrees to perform a robust review of the Performance Report, the Governance Statement and Remuneration and Staff Report to ensure compliance with the FReM, SPFM and Accounts Direction ahead of the external audit each year.<br>**Responsible Officer**<br>Elaine McKechnie - VP Finance, Resources & Sustainability<br>**Agreed date**<br>31 August 2024 |
| **2. Fixed asset register**<br>We identified instances of inaccurate records within the fixed asset register. This affected different categories of assets.<br>**Risk:** Assets are incorrectly accounted for in future Financial Statements. | The fixed asset register should be reviewed to ensure the data and entries within it remain accurate. This could be carried out alongside incorporating the adjustments arising from the next revaluation as at 31 July 2024, and in advance of next year's audit.<br>Exhibit 3 | **Action Agreed**<br>Yes. During 2023/24, the College will undertake a full review of the fixed asset register to ensure data accuracy and appropriate categorisation of assets.<br>**Responsible Officer**<br>Elaine McKechnie - VP Finance, Resources & Sustainability<br>**Agreed date**<br>31 August 2024 |

# South Lanarkshire College

## 2022/23 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:
**www.audit-scotland.gov.uk/accessibility**

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

AS.4.0