

## Board Meeting

Date of Meeting	Monday 31 October 2016
Paper Title	Audit Scotland 2016 report on the college sector
Agenda Item	15
Paper Number	BM2-L
Responsible Officer	Robin Ashton, GCRB Executive Director
Status	Disclosable
Action	For approval

### 1. Report Purpose

- 1.1. Consider the Audit Scotland report, *Scotland's colleges 2016*, a copy of which is included as an annex to this paper.

### 2. Recommendations

- 2.1. The Board is invited to:

- **note** the key messages as set out in the Audit Scotland report;
- **note** the recommendation that the Glasgow Colleges' Regional Board should put in place the arrangements necessary to become fully operational;
- **note** the recommendations for the Scottish Funding Council and colleges; and
- **request** that the GCRB Executive Director bring forward a report on progress towards becoming fully operational to the next meeting of the Board.

### 3. Summary of the report

- 3.1. Audit Scotland based its work on:

- an analysis of information held by the SFC including performance and activity data, post-merger evaluations of merged colleges and communications with the sector;
- interviews with a wide range of stakeholders, including college principals, senior college finance staff, regional chairs, Colleges Scotland, staff and student unions, the Office of the Scottish Charity Regulator (OSCR), the Federation of Small Businesses, Education Scotland, the SFC and the Scottish Government;
- a data request completed by auditors;
- review of college documents such as financial plans, staff and student surveys and

curriculum reviews; and

- analysis of relevant Scottish Government budget documentation and colleges' and Glasgow Colleges' Regional Board's audited accounts and auditors' reports.

**3.2.** The financial figures used in the report are in real terms.

**3.3.** The report has four sections, one reviewing progress made with college reform, one analysing students and staff levels, one evaluating college finances, and one focussing on governance and the role of the SFC.

**3.4.** Key points made in the report include:

- colleges are still adjusting to substantial changes that affect how they operate;
- the Scottish Government has not yet clearly articulated how it will measure and report the benefits of its programme of reform, and some of its proposed measures lack baseline information;
- only one of the three regional bodies was able to perform the role expected of it in 2014-15 and 2015-16;
- the number of under-25 year olds in full-time education at college has increased by 14 per cent in the last eight years. Student numbers overall have decreased by 41 per cent over the same period, and part-time students by 48 per cent;
- the overall percentage of full-time further education students successfully completing their course increased year-on-year between 2009-10 and 2013-14;
- full-time equivalent staff (FTE) numbers decreased by nine per cent between 2011-12 and 2013-14 and increased by five per cent in 2014-15;
- the overall financial health of the sector is relatively stable;
- the College Good Governance Task Group's recommendations should mitigate the risk of significant governance failures; and
- the Scottish Government's end-to-end review of the enterprise and skills agencies in Scotland provides an opportunity to re-examine and clarify the SFC's role.

#### **4. Audit Scotland Recommendations**

**4.1.** The report makes a series of recommendations, including for colleges that they should:

- develop long-term (a minimum of five years) financial strategies which should be underpinned by medium-term (between three and five years) financial plans that link to workforce plans and take account of significant financial pressures such as national collective bargaining, estate development and maintenance and student support funding;

- implement a more systematic approach to workforce planning to ensure that they have the appropriate resources and skills to achieve their strategic goals; and
  - make agendas, supporting papers and minutes (subject to confidentiality issues) for board and committee meetings publicly available within appropriate timeframes.
- 4.2.** With respect to the recommendation regarding making governance documents publicly available within appropriate timeframes, the report notes that in their review of all of Scotland's college websites in February 2016, only Glasgow Kelvin College complied fully with the code in terms of openness and transparency of board and committee activities.
- 4.3.** One recommendation is made for the Glasgow Colleges' Regional Board that it should put in place the arrangements necessary to become fully operational. Members will be aware that the Scottish Funding Council has undertaken a review of GCRB governance arrangements (including observation of the GCRB Board) and has confirmed formally to GCRB that it has made significant and effective progress in operating effectively as a Regional Strategic Body, and fulfilling its statutory role to secure coherent provision of high quality further and higher education. The SFC letter to GCRB is attached as Annex 2.
- 4.4.** GCRB and the SFC are now working on a detailed transition plan which sets out tasks and timeframes related to funding, monitoring and financial arrangements which will allow fully-operational fundable body status to be implemented and the GCRB Executive Director will bring forward a report on progress towards becoming fully operational to the next meeting of the committee.
- 4.5.** In relation to GCRB becoming a fully-operational fundable body, members should also note that progress towards this was considered by the Public Audit Committee on 6th October 2016. The minute of this meeting is attached as Annex 3 and records that the Committee agreed to write to the SFC regarding the report on Glasgow Colleges' Regional Board.
- 4.6.** Finally, it should be noted that whilst a number of recommendations within the Audit Scotland report refer to the SFC, they also have relevance to GCRB as a funding body. In particular, the following recommendations are also of interest to the operation of GCRB:
- the role of the SFC should be clarified, particularly in relation to college governance;
  - the Scottish Government and SFC should identify and implement a better approach to allocating depreciation budgets to colleges;
  - the SFC should work with colleges to determine the current condition of the college estate and prepare a plan to ensure that it is fit for purpose;
  - the SFC should require colleges to report how they have spent depreciation cash funding in their accounts, including a breakdown of the spending; and

- the SFC should explore with colleges a way to better assess demand for college courses across Scotland.

## **5. Risk Analysis**

- 5.1.** Consideration of this report contributes towards management of risks associated with GCRB's governance arrangements.

## **6. Legal Implications**

- 6.1.** There are no specific legal implications arising from this paper.

## **7. Financial Implications**

- 7.1.** Some of the SFC recommendations relate to finance arrangements and therefore may lead to changes in financial management arrangements.

## **8. Regional Outcome Agreement Implications**

- 8.1.** Through the conditions of grant associated with the Regional Outcome Agreement, GCRB and the assigned colleges are required to conduct their affairs in accordance with the expected standards of good governance, which includes account being taken of relevant audit reports.