

Board of Management Audit Committee

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| Date of Meeting | Wednesday 14 September 2015 |
| Paper No. | AC1-G |
| Agenda Item | 10 |
| Subject of Paper | Audit Scotland Report: Scotland's Colleges 2016 |
| FOISA Status | Disclosable |
| Primary Contact | Paul Clark, College Secretary/Planning |
| Date of production | 6 September 2016 |
| Action | For Discussion |

1. Recommendations

1. To note and discuss as appropriate the Report's key findings and recommendations, in particular those identified as of particular relevance to City of Glasgow College.

2. Purpose of report

2.1 To provide the Committee with a review of the recent Audit Scotland report on Scotland's Colleges, with a summary of the key messages and recommendations.

3. Context

3.1 Auditor General and Audit Scotland

- a) The Auditor General is independent, and reports to the Scottish Parliament on the performance of government directorates, agencies, and other public bodies including colleges.
- b) The Auditor General is tasked with examining how public bodies spend public money, assisting them in managing their finances to the highest standards, and checking whether they are achieving value for money - properly, effectively, and efficiently.
- c) Audit Scotland is a statutory body set up in 2000 to assist the Auditor General and the Accounts Commission with these responsibilities.

3.2 Audit Scotland Report: Scotland's Colleges 2016

- a) The report is set out in four sections, dealing with Progress with Reform, Students and Staff, College Finances, and Governance and the role of the SFC.
- b) The report identifies 5 key messages thus:
 - i. While the sector has exceeded activity targets overall, colleges are still managing changes impacting upon their operations. The Scottish Government still requires to clarify the measures of success of reform, and only one of the three regional bodies was found to be operating as intended.
 - ii. Student numbers have fallen significantly, mostly among women and those over 25. The number of under 25s has increased. Full-time successful completion rates increased each year from 2010-11 to 2013-14, (59-66%) but dropped again in 2014-15 (64%).
 - iii. FTE staff numbers dropped by 9% from 2011-12 to 2013-14 and increased by 5% in 2014-15. Staff feedback on the impact of mergers is mixed.
 - iv. The sector is in good financial health overall, although 4 colleges face underlying financial challenges. Colleges should have long-term

financial plans to prepare for added pressures, such as national collective bargaining, estates maintenance and student support funding. The SG approach to funding colleges for depreciation is complex and creates “a degree of uncertainty”.

- v. The Good Governance Task Group’s recommendations should help to avoid governance failings such as those witnessed recently in the sector. The Government should clarify the SFC’s role.
- c) Recommendations for Colleges
- The Report includes recommendations for the Scottish Government, the SFC, and for Colleges, indicating that colleges should:
- i. Develop long term financial strategies (5yrs) underpinned by medium term financial plans which link to workforce plans and take account of the added pressures outlined above (3.2.b.iv.)
 - ii. Implement a more systematic approach to workforce planning to deliver strategic goals
 - iii. Make agendas, papers, and minutes publicly available.

d) Findings Relating to City of Glasgow College

Of particular interest to CoGC are following findings:

- i. The report highlights the trend in full-time student success (FE) to 2014-15 from 59% to 66% TO 64%. (P17). From 2012-13 to 2014-15 the corresponding success rates at CoGC have been 60% - 70% - 72% In Full-time HE, CoGC student success over this period has been 70% - 75% - 76%. (CoGC Annual Report 2014-15, p25).
- ii. “City of Glasgow College had still to fully harmonise staff terms and conditions. It has halted local job evaluations so that this work can be completed nationally as part of national collective bargaining.” (p.9).
- iii. Reference is made to the Auditor General’s report of March 2016 on the “deterioration in key relationships” relating to GCRB, and that there had been “limited progress towards securing fundable body status” with “significant weaknesses in governance, and an absence of key systems of assurance and internal control”. The Report notes the changes that have been made in the appointment of Chair, Board members, and staff, and an improving situation, although “the timescale for granting it operational fundable body status is not clear”. (p16).
- iv. CoGC was reported as one of four colleges which had provided details of improvement actions following staff survey results relating to merger.
- v. A summary of reported governance failings is included in the report (p34) which have already been reported to the Board in detail. These reports found failures relating to the following: poor management and

governance of severance payments; excessive “additional education” provision resulting in activity target reduction and funding claw back; a lack of open and transparent decision-making; failure of compliance with the Code of Good Governance and the SFC Financial Memorandum; a lack of systems of assurance and internal control. While CoGC has not been similarly found at fault, there are still lessons to be learned, which have been identified by the Board. Consequently, a range of governance improvements has been set in place.

- vi. Board activities were found to be insufficiently transparent across the sector. Only one college was found to be fully compliant with the Code of Good Governance in respect of the publication of all Board and Board Committee agendas, minutes, and papers. CoGC was partially compliant. Last session, the CoGC Board agreed to full compliance, and from 2016-17, Board and Board Committee papers, as well as Agendas and Minutes will be published via the College website.

4. Impact and implications

4.1 The Report provides a useful diagram summarising the changes and consequences impacting upon the sector, (p10). Board members may wish to reflect upon how the College has managed, and continues to manage these changes and impacts.

4.2 The report points to the overall financial health of the sector, while recognising that colleges face significant financial pressures, now and in the future, requiring longer term financial planning. Colleges Scotland has stated that “there are key constraints which curtail their ability to plan strategically, including the lack of clarity over future budgets, and the fact that colleges can no longer hold reserves, nor borrow. College Scotland is working with the Scottish Government, SFC, and key stakeholders to address these issues”. (Colleges Scotland Confidential Release to Principals and Chairs, 25.08.16). Colleges Scotland also point out that “our long term financial strategy will have to take account of the ‘significant’ costs associated with the introduction of National Bargaining and the development of our workforce for the future” (ibid).

4.3 A key theme of the report is good governance, which is a primary responsibility of the Board. The Board should refer to the Code of Good Governance and maintain a level of familiarity with compliance requirements.

4.4 Colleges Scotland has released a statement from GCRB which states that “All key systems of assurance and internal control considered by the Audit Scotland Report are now fully embedded with GCRB governance and accountability structures and practice...confirmed by our 2015-16 internal audit processes. The GCRB has been working closely with the SFC to provide it with the final assurances it requires

to grant it fully operational body status and expect this process to be completed shortly". (ibid).

4.5 The Report highlights the reduction in student numbers primarily as a result of the Government's prioritisation of young learners and full-time learning. As part-time learners are mainly female and over 25, a consequence of Government policy is that there are now fewer opportunities for adult returners, for those with family or caring responsibilities, or for those with other barriers to full-time learning.

Appendix:

Scotland's Colleges 2016: Audit Scotland/Auditor General (August 2016)

