

Item: 8

College Management Council Sub-committee: 3 September 2018.

National Audit Report: Scotland's Colleges 2018.

Report by Executive Director of Education, Leisure and Housing.

1. Purpose of Report

To present the national audit report, Scotland's Colleges 2018, prepared by Audit Scotland.

2. Recommendations

The Sub-committee is invited to note:

2.1.

The national audit report, Scotland's Colleges 2018, issued in June 2018 by Audit Scotland, attached as Appendix 1 to this report.

2.2.

The key messages contained within the national audit report, a summary of which is detailed in section 4.1 of this report.

2.3.

That the national audit report makes specific reference to Orkney College with regards to student outcomes noting that students on full time further education courses had the highest attainment, retention, satisfaction and positive destinations of all of the colleges in Scotland.

2.4.

That the national audit report makes reference to the need for colleges to develop long term financial strategies which is currently part of Orkney College's work plan.

3. Background

3.1.

Attached as Appendix 1 to this report is the national audit report, Scotland's Colleges 2018, prepared by Audit Scotland, which provides an update on various changes taking place in the college sector and, where possible, assesses the impact. It also comments on the financial standing of the sector and looks at student participation and outcomes.

3.2.

The national audit report intimates that colleges prepare accounts based on the academic year (1 August to 31 July). In the case of Orkney College, however, the accounts are prepared by financial year 1 April to 31 March in accordance with the practice of the Council.

3.3.

The national audit report sets out recommendations for the Scottish Government, the Scottish Funding Council and Scotland's colleges.

4. Key Messages

The key messages highlighted in the national audit report are as follows:

4.1.

The college sector's underlying financial position improved in 2016 to 2017, but several colleges face significant financial challenges. Scotland's 20 incorporated colleges reported an overall underlying financial surplus for 2016 to 2017 of £300,000. This compares to an underlying deficit of £8,000,000 in 2015 to 2016. Across the sector, the cash held by colleges increased by 13% in 2016 to 2017 and the net value of their assets – such as land and property, compared against financial liabilities such as pension costs – grew by 10%. However, these sector-wide increases mask significant variations between colleges.

4.2.

Staff costs remain the highest area of spending and are forecast to increase, mainly as a result of the costs associated with harmonising staff pay and other conditions. Colleges' representative body, Colleges Scotland, has estimated the total cost of harmonisation as £50,000,000 a year from 2019 to 2020. This would absorb all of the Scottish Government's projected savings from college reform. The Scottish Government is providing funding to cover the additional costs up to the end of academic year 2018-19. But it has not yet specified funding for academic year 2019 to 2020, when the costs will increase most significantly.

4.3.

The Scottish Funding Council's 2017 estates condition survey indicates that college buildings require urgent and significant investment. The survey estimates a backlog of repairs and maintenance over the next five years of up to £360,000,000. The Scottish Funding Council is providing £27,000,000 of capital funding to colleges in 2018 to 2019 to cover the very high priority needs identified in the condition survey.

4.4.

Several factors pose a risk to colleges' financial sustainability, including: the future impact of national bargaining for support staff; uncertainties around long-term funding of improved employment terms; the cost of maintaining buildings and land; and the potential impact of leaving the European Union. Differences in the assumptions colleges use for their forecasts mean they do not provide a reliable picture of future financial sustainability for the sector. The Scottish Funding Council and colleges are working to address this from 2018.

4.5.

The college sector exceeded its targets for learning activity and full-time equivalent student places in 2016 to 2017. Student numbers increased by around four percent, with most of the increase being students in part-time learning, particularly those under 16 years of age. At least 82.7% of all successful full-time college leavers entered positive destinations, such as training, employment and higher education. This is largely unchanged from last year. Student satisfaction remains high at over 90% and improved slightly compared to last year.

4.6.

The proportion of credits (units of learning) delivered to students from deprived areas, from ethnic minorities, with care backgrounds or with disabilities all continue to increase. Despite this, the gap in attainment between students from the least and most deprived areas is growing.

4.7.

Colleges have made notable progress in addressing the large gender imbalance on engineering courses but have had less success in other courses. The Scottish Funding Council shares good practice as part of its gender action plan and expects to see more progress from 2017 to 2018 onwards. Some college boards also continue to have significant gender imbalances in their membership that would fall short of the new statutory gender representation objective.

4.8.

The regional strategic bodies in the three multi-college regions are fulfilling their core statutory duties, but their progress in meeting the wider aims of regionalisation varies. The University of Highland and Islands Court has made good progress and is now working with four of its incorporated colleges to explore opportunities for greater integration. The Glasgow Colleges' Regional Board is making progress in coordinating collaborative regional activity but needs to do more work with its assigned colleges, to deliver all of the intended benefits of regionalisation. The current regional arrangements in Lanarkshire add little to the aims of regionalisation.

5. Implications for Orkney Islands Council

5.1.

The national audit report contains three recommendations with implications for Orkney College. The local response is detailed below.

5.2.

Action 1: Colleges should work with the Scottish Funding Council to further develop their long-term financial forecasting:

- The outturn financial figures for Orkney College for financial year 2017 to 2018 indicated a small surplus of £40,000. This followed a similar small surplus of £60,000 in the previous financial year.
- The decision by the Council to shadow the national pay bargaining arrangements for college lecturers was accompanied by a condition that a robust business plan to ensure survival and sustainability is developed.
- Development of this business plan is being taken forward as a priority matter and is part of the Orkney College work plan.

5.3.

Action 2: Colleges should focus on reducing the attainment gap and improving student performance:

- Specific reference to Orkney College is made on page 23, section 46 and page 24, section 47, of the national audit report relating to the outcomes of students.
- Exhibit 10 on page 24 of the national audit report indicates that Orkney College achieved the highest percentage in Scotland for all four performance indicators:
 - Attainment.
 - Retention.
 - Satisfaction.
 - Positive Destination.

5.4.

Action 3: Colleges should, where appropriate, examine opportunities for getting a better gender balance on their boards to meet new statutory targets:

- Section 61 on page 27 of the national audit report states that Orkney College has the greatest gender imbalance of 'board' members with the membership being predominantly male. Voting membership of the College Management Council comprises:
 - Five Councillors.
 - Four Community/Third Sector representatives.
 - Four Business Community representatives.
- There is currently a vacancy for one Business Community representative and the intention is to encourage applications from those who could help redress the gender imbalance. The profile of Councillors that make up the Council is determined by the electorate and in a council where the majority of candidates for election are independent, as opposed to being nominated by political parties, achieving a gender balance can be more difficult.

6. Human Resource Implications

There are no immediate, direct HR implications arising out of this report. However, as staffing is the single largest cost for Orkney College the robust (medium to long term) business plan for Orkney College will inevitably have the potential for there to be Human Resource implications.

7. Links to Council Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Thriving Communities.

8. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of A Vibrant Economy.

9. Financial Implications

There are no significant financial implications for the Council arising from the recommendation in this noting report.

10. Legal Aspects

Responding to national audit reports helps the Council meet its statutory obligations to secure best value.

11. Contact Officers

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12. Appendix

Appendix 1: Scotland's Colleges 2018 – Prepared by Audit Scotland – June 2018.