

## **Item: 7**

**Education, Leisure and Housing Committee: 28 March 2018.**

**National Audit Report: Scotland's Colleges 2016.**

**Report by Executive Director of Education, Leisure and Housing.**

### **1. Purpose of Report**

To present the national audit report, Scotland's Colleges 2016, prepared by Audit Scotland.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

The national audit report, Scotland's Colleges 2016, issued in August 2016 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 5 of this report.

#### **2.3.**

That references to Orkney in the national audit report are limited to the context of the University of Highlands and Islands.

#### **2.4.**

That Council previously agreed that a robust medium to long term business plan for Orkney College be developed.

### **3. Policy Aspects**

This report supports the undernoted Council values:

- Promoting Survival – to support our communities.

## **4. Background**

### **4.1.**

Attached as Appendix 1 to this report is the national audit report, Scotland's Colleges 2016, prepared by Audit Scotland, which provides an update on various changes taking place in the college sector and, where possible assesses their impact. It also comments on the financial standing of the sector and looks at student participation and outcomes.

### **4.2.**

Colleges prepare their accounts based on the academic year (1 August to 31 July). This differs from the Scottish Government's financial year which runs from 1 April to 31 March.

### **4.3.**

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

### **4.4.**

Council has previously agreed that a robust medium to long term business plan for Orkney College should be developed.

## **5. Key Messages**

### **5.1.**

The college sector has continued to exceed activity targets but 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. The Scottish Funding Council intends to publish its estimate of the total costs of mergers in August 2016. However, this will not include costs of harmonising staff terms and conditions, which could be significant. Only one of the three regional bodies was able to perform the role expected of it in 2014 to 2015 and 2015 to 2016.

### **5.2.**

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. Most of the reductions in student numbers have been among women and people aged over 25. The gender balance is now broadly equal overall but there are significant differences between subjects. The overall percentage of full-time further education students successfully completing their course increased year-on-year between 2009 to 2010 and 2013 to 2014, from 59 to 66 per cent, but dropped to 64 per cent in 2014 to 2015. At least 82 per cent of students who left in 2013 to 2014 went on to a positive destination.

### **5.3.**

Full-time equivalent staff numbers decreased by nine per cent between 2011 to 2012 and 2013 to 2014 and increased by five per cent in 2014 to 2015. Staff feedback on the impact of mergers is mixed.

### **5.4.**

The overall financial health of the sector is relatively stable. Analysis indicates four colleges with underlying financial challenges. Colleges do not have long-term financial plans which would help them prepare for and address further financial pressures, such as national collective bargaining, estate maintenance and student support funding. The Scottish Government's current approach to funding colleges for depreciation is complex, and creates a degree of uncertainty for colleges.

### **5.5.**

The College Good Governance Task Group's recommendations should mitigate the risk of significant governance failures. While the Scottish Funding Council undertakes a range of monitoring and engagement within the college sector, this has not always resulted in timely and effective resolution of problems and issues. Despite the many changes in accountability arrangements in the sector, the Scottish Government has not undertaken a comprehensive review of the Scottish Funding Council's role in the last ten years. 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 Scottish Funding Council's role.

## **6. Implications for Orkney Islands Council**

### **6.1.**

A key recommendation for colleges in the national audit report was to develop a long-term, minimum of 5 years, financial strategy, underpinned by medium term financial plans that link to workforce plans and take account of the context of significant financial pressure – for example, national collective bargaining.

### **6.2.**

The recent 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.

### **6.3.**

Taking forward this as a priority matter is currently part of Orkney College's work plan.

## **7. Human Resource Implications**

There are no immediate, direct Human Resource 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 potential Human Resource implications.

## **8. Financial Implications**

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

## **9. Legal Aspects**

The Council must make arrangements which secure best value.

## **10. Contact Officer**

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## **11. Appendix**

Appendix 1: Scotland's Colleges 2016.