

Audit Scotland National Reports: Scotland's Colleges 2018 and 2019 Updates

- This paper provides an update on recommendations for the Scottish Funding Council arising from the 2018 and 2019 Audit Scotland College Overview reports.

Recommendations

- Note the contents of the report.

Financial implications

- There are no programme fund or running cost implications arising from this paper that are not already allowed for within the Council's programme funds or running cost budgets.

Audit Scotland National Reports: Scotland's Colleges 2018 and 2019 Updates

Purpose

1. This paper provides an update on recommendations for the Scottish Funding Council (SFC) arising from the 2018 and 2019 Audit Scotland College Overview reports.

Background

2. Audit Scotland carries out annual reviews of the performance of the college sector.

Overview reports

3. Updates on each of the recommendations for SFC for the 2018 Overview report are set out in **Annex A** while responses to each of the recommendations for the 2019 report are set out in **Annex B**.

Next steps

4. The Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee was held on September 12th where SFC's Chief Executive gave evidence on the report supported by the Chief Operating Officer and the Director of Finance.

Risk assessment

5. There is a risk of reputational damage to the Council from failures in college governance, leadership and management, including financial failure.
6. This risk is mitigated by regular monitoring of colleges and any colleges facing heightened challenges to their sustainability are subject to more intensive monitoring and focused reporting to the Council's Finance Committee.

Equality and diversity assessment

7. There are no equality and diversity issues associated with this paper.

Publication

8. This paper will be published on the Council's website following the Committee's meeting.

Recommendation

9. The Committee is invited to note the contents of the report.

Financial implications

10. There are no programme fund or running cost implications arising from this paper that are not already allowed for within the Council's programme funds or running cost budgets.

Further information

11. Contact Martin Fairbairn, Chief Operating Officer (direct line: 0131 313 6524, email: mfairbairn@sfc.ac.uk) or Andrew Millar, Assistant Director, Finance (direct line: 0131 313 6538, email: amillar@sfc.ac.uk).

Annex A

Audit Scotland Report on Scotland's Colleges 2018: Update on implementation of recommendations

Recommendation	Update as reported in ACC/18/31	Update – March 2019	Update – August 2019	Update – December 2019
<i>The Scottish Government and the SFC should:</i>				
Publish the criteria within the Infrastructure Strategy for prioritising capital investment in the college sector	The Funding Council's Capital Decision Point Committee has developed a Capital Projects Prioritisation Framework and will be consulting on this with Colleges Scotland next week.	The framework has been further refined and we intend to publish it in the SFC annual business plan, as part of the new Strategic Plan.	The criteria for prioritisation now forms part of our medium-term capital estate strategy, which CDPC is discussing on 21st August.	The CPDC met on 21 st August and discussed the medium term capital estate strategy. The aim in part one of the strategy was to progress to shovel-ready state the main priority campuses, those in the worst condition and with the highest backlog need. The Committee agreed there should be three overriding questions for any potential strategic projects. Firstly what is the economic impact of what is being progressed? Secondly why does it require SFC

Recommendation	Update as reported in ACC/18/31	Update – March 2019	Update – August 2019	Update – December 2019
				intervention? And thirdly why does it need to be progressed by that particular college? These questions would sit above the evaluation checklist in part two of the strategy.
Work with colleges to examine why the attainment gap between students from deprived areas and the wider student population is growing and identify actions to further reduce the gap	<p>The Scottish Funding Council is addressing this particular recommendation through its college Outcome Agreements (OA) which support the ambition to intensify efforts to improve retention and attainment. Through the new quality arrangements which are integrated within the OA process, colleges have been set stretching targets for improvement which will be monitored by the Funding Council both at college and at sector level.</p> <p>Colleges are also asked to provide an annual Evaluative Report and Enhancement Plan which cover progress and planned improvements to retention and attainment, allowing us to challenge and</p>	As previously reported, this area is primarily being addressed through the outcome agreement negotiations. It is planned to finalise the 2019-20 outcome agreements over the next two months.	The attainment gap for this group of students will be reported on in the Outcome Agreement self-evaluation and Outcome teams, working with individual colleges, will monitor and evaluate progress to gain evidence on progress.	Colleges submitted their self-evaluations in October and were asked to comment specifically on this aspect. These evaluations which are being used by the outcome agreement team in negotiating new outcome agreement which are due to be submitted to SFC on 13 th December.

Recommendation	Update as reported in ACC/18/31	Update – March 2019	Update – August 2019	Update – December 2019
	support practice in this area. In colleges where there are issues with success, addressing this will be a part of the Enhancement Plan.			
Assess and report publicly on the extent to which the regional strategic bodies are meeting the aims of regionalisation in multi-college regions	The Funding Council recognises that it has a duty to assess and enhance the performance of RSBs. We are currently in discussion with Scottish Government before finalising the scope of and method for the assessment process. In the meantime, we will continue to work with RSBs to support their development.	We are planning to ask each RSB to report, through a self-evaluation questionnaire, on its effectiveness in meeting its core statutory duties and wider regionalisation aims. Meetings will be arranged with each RSB, following submission of the self-evaluation, involving representatives from the Board, senior management team, assigned colleges and other key stakeholders, to consider the outcomes of that exercise in more detail. We will also report to Scottish Government following the meetings with all three RSBs.	Each RSB has provided a self-evaluation questionnaire. These are currently being reviewed by the Council Executive.	Meetings are being held with each RSB in September and SFC is currently drafting reports for each RSB.
<i>The SFC should:</i>				
Revise its	To address the question of	No further update	No further update required.	The accounts direction for

Recommendation	Update as reported in ACC/18/31	Update – March 2019	Update – August 2019	Update – December 2019
accounts direction to ensure colleges calculate their underlying financial position consistently	consistency, the 2017-18 accounts direction, issued by the Funding Council on 13 July 2018, included guidance for colleges in calculating the underlying operating position.	required.		2018-19 included guidance for colleges in calculating the underlying operating position.
Progress its work with colleges to improve common assumptions for future financial forecasting returns, including clarifying when departing from assumptions would be justified	Following consultation with sector representatives, we provided more detailed guidance than in previous years on the assumptions that colleges should use in their 2018 forecasts.	No further update required.	No Further update required.	We provided more detailed guidance than in previous years on the assumptions that colleges should use in their 2019 forecasts.
Determine what other actions are	We are addressing this recommendation through the Outcome Agreement process,	We published our annual progress report on the GAP in February 2019. It	The work outlined in March 2019 is ongoing with an event to share good practice	The event for 1 st October went ahead as scheduled and sector representatives were able to

Recommendation	Update as reported in ACC/18/31	Update – March 2019	Update – August 2019	Update – December 2019
<p>required to tackle the greatest gender imbalances in subjects to deliver its gender action plan</p>	<p>with OAs showing an increased commitment to measures identified in the Gender Action Plan (GAP). To support this process, the Funding Council has this year visited six institutions to discuss how the GAP is being implemented and governed. These visits will continue over the next few years with the intention that all college and university regions will be visited. These visits have identified good practice and areas of improvement, both of which will be reported in the Funding Council’s forthcoming progress report on implementation of the GAP. Furthermore, the Funding Council is running a sectoral event on 25 October to discuss progress to date, to share best practice and to consider how the sector can work together to deliver the GAP. The next annual progress report on the GAP will be published in November.</p>	<p>outlines what we did in 2018 as well as the key actions we will take in 2019 to tackle the greatest imbalances:</p> <ul style="list-style-type: none"> • Pushing for clearer and more focused outcomes from all institutions through Outcome Agreements, including a more detailed analysis of success rates and retention rates by institution by subject. • Building the evidence base for effective action through more in depth discussions with institutions, and developing an evaluation framework. • Sharing good practice where we find it. • Working with individual institutions on retention and success rates. 	<p>scheduled for 1 October. This is for all leads of institutional gender action plans.</p>	<p>share good practice. A gender conference is scheduled for January 2020.</p>

Recommendation	Update as reported in ACC/18/31	Update – March 2019	Update – August 2019	Update – December 2019
		<ul style="list-style-type: none"> • Continuing our focus on Gender Based Violence. • Action to improve the gender balance of Boards (largely through our funding for Advance HE). • Assessing our overall approach and the efficacy of the GAP so far, specifically working to ensure join up between different initiatives and policies. 		
Agree with regional strategic bodies in multi-college regions the most appropriate way of collecting information on college activities and clarify both	The Funding Council is reviewing, alongside RSB partners, how information on college activity is collected. This builds on work with the Scottish Government and the sector to reduce the number of financial returns that colleges are required to submit. At present, colleges within multi-college regions often submit performance data directly to the Funding Council as we have the resources – both staffing and	This work is ongoing.	SFC is continuing to work with RSBs to support the development of appropriate data collection arrangements. The level of direct contact with assigned colleges is reducing and increasingly the engagement is with the RSBs. There are a few areas where assigned colleges will continue to report jointly to SFC and their RSB because of practical considerations e.g. cash flow returns submission where there	Performance data is now published at regional level though systems dictate some continuing engagement at individual college level for data collection. Part of the RSB review concerns the respective roles of SFC and RSB's in the collection of performance and financial data and our respective roles.

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<p>why and when it needs to engage with, or collect information from, assigned colleges</p>	<p>software to allow for the most cost effective and efficient analysis of the data. This also ensures that more funding can be allocated to frontline teaching activity within the multi-college region. However, where practicable and economical we will collate a regional response rather than a college-level one. Examples include data on the Flexible Workforce Development Fund and expansion of Early Learning & Childcare targets.</p>		<p>are time pressures.</p>	

Audit Scotland Report on Scotland’s Colleges 2019: Responses to recommendations

Recommendation	Response – August 2019	Update – December 2019
<i>The SFC should:</i>		
Work with colleges to agree their underlying financial position prior to finalising their accounts	The 2018-19 Further Education accounts direction asks colleges to submit the underlying calculation, together with draft accounts, to SFC for review prior to the accounts being signed off. This will ensure correct completion of the underlying calculation and consistency across the sector.	Underlying financial position calculations are currently being reviewed by SFC analysts prior to sign off of college accounts.
Require colleges to submit medium-term financial plans to support FFRs in assessing financial sustainability across the sector	The 2019 Financial Forecast Return Call for Information, published on 21 June 2019, asked colleges to submit a medium-term financial forecast return for the period 2018-19 to 2023-24. The Call for Information, which includes indicative assumptions to assist colleges in their financial planning, also asks colleges to provide a detailed commentary with the return explaining the necessary mitigating actions being taken by colleges to ensure their financial sustainability. Colleges are asked to provide a full description of their plans including an explanation of how elements of the strategic plan, human	Financial Forecast Returns have been received from colleges and the sector position was reported to the Finance Committee in November.

	<p>resource management strategy and estates strategy are reflected in the forecasts, and how these developments are to be financed. Colleges have been asked to submit 2019 Financial Forecast Returns to SFC by 27 September 2019.</p>	
<p>Publish college region performance against all outcome agreement measures</p>	<p>As we understand it from paragraph 44, this recommendation is primarily about the way that SFC publishes the data on success rates. While we do publish the data on performance in our performance indicator publication, we do not currently publish the figures alongside the targets in the Progress and Ambitions document. We have chosen this way of publishing the data in order to reduce the extent to which colleges might set very conservative targets. We are considering – with Government, the sector and Education Scotland – how we improve success rates in colleges that are beneath the level of the best one. As part of that work we will consider the effect of publishing the data differently.</p>	<p>Complete</p>
<p>Publish good-quality student satisfaction data for every college</p>	<p>SFC produce a range of Official and National Statistics and our aim is to provide statistics that are trustworthy, good quality and of public value, in line with the UK Statistics Authority Code of Practice. The student satisfaction survey is a recent addition to our suite of publications, 2017-18 being the</p>	<p>This information for 2018-19 Full-time students was published in October.</p>

	<p>third time we have carried out the survey. The survey response rates were extremely variable across the college sector and as a result we published sector wide information for full-time Further Education and full-time Higher Education and for those colleges with a response rate of 50% or more. We have worked with the sector to improve response rates. We published our guidance for the 2018-19 survey in December 2018 and we ran a successful workshop in February 2019 to share best practice and focus on improving response rates. We have been clear with the sector that there is a need to improve response rates and that we fully intend to publish the results by College for full-time students later this year.</p>	
<p><i>The SFC and Scottish Government should:</i></p>		
<p>Agree and publish a medium-term capital investment strategy that sets out sector-wide priorities</p>	<p>The remit of the Infrastructure Commission encompasses the college sector. We have provided initial evidence to the Commission¹. Key points were:</p> <ul style="list-style-type: none"> • The scale of remedial investment required in colleges was estimated at £380M in 2017. • This provides a challenge to our current resources and ways of working; and an 	<p>A medium term college capital estate strategy has been developed and is due to be published early in 2020.</p>

¹ <http://links.sfc.ac.uk/livelink/livelink.exe/Open/253536864>

	<p>opportunity to develop more imaginative, large-scale and strategic solutions over a longer term planning horizon.</p> <ul style="list-style-type: none"> • We are actively involved in shaping the Scottish Government’s learning estate strategy and will play our part in ensuring our colleges continue to play a role in enabling individuals to flourish, to connect with the needs of our workforce for the future, to enhance local neighbourhoods, and to invest with wider economic and social impact. <p>We are now developing a medium-term college capital estate strategy which will set out our main priorities for college capital investment in the next 5 to 10 years and this will be used as our main input to inform the work of the Commission. It is being discussed by CDPC on 21st August.</p>	
<p>Review whether targets for college provision and student outcomes, including for students from deprived areas, remain relevant and realistic, based on current performance trends</p>	<p>We review the targets and measures in our outcome agreement guidance each year. The current success rate targets are stretching for many institutions and it is likely that many colleges will not meet their current targets. We recognise that further work will need to be done to bring some colleges up to the level of the higher performing ones that are meeting the</p>	<ul style="list-style-type: none"> • The College Quality Arrangements Steering Group (CQASG), established in May 2016, led to the development of a new quality assurance framework (How good is our college?) and requirement of colleges to produce an annual self-evaluation report, the Evaluative

	<p>current targets. In our consideration of what level of target we should seek in future outcome agreements we decided it was better to maintain the current overall aspiration and seek better progress rather than seek less ambitious targets.</p>	<p>Report and Enhancement Plan (EREP)</p> <ul style="list-style-type: none"> • Between AYs 2016-17 and 2017-18 the new quality arrangements reporting requirements were introduced and consolidated and resulted in the annual submission (in October 2017 and 2018 respectively) and publication of endorsed EREPs for each college/region. • Refreshed EREPs were not required for October 2019, instead SFC and ES are in the process of carrying out a series of Progress Visits (PV) to each college to provide external evaluation of progress being against actions for improvement within the college EP.
<p>Work with colleges to deliver the necessary improvements in performance to meet agreed outcome agreement targets</p>	<p>We recognise the importance of significant improvement in success rates in some colleges. SFC recently convened a meeting with Education Scotland, the sector, the Government (which has been running an improvement project with some colleges on success rates) and the College Development Network (CDN) to better align our work in this area. We agreed to establish a College Quality Strategic Leadership Group to drive greater alignment of the outcome agreements, the analysis and support from Education Scotland (which is closely related to the agreements) the Government's improvement work and the support that CDN provides to the sector.</p>	<p>Following a PV, a written report containing a statement regarding progress made against Enhancement Plan targets will be provided to the college and shared with the Board. ES will produce a summary report for SFC on completion of all college PVs later in 2020.</p>