

Evidence on the Financial Memorandum of the Post-16 Education (Scotland) Bill – Finance Committee Questionnaire

Consultations

1. Did you take part in either of the Scottish Government consultation exercises which preceded the Bill and, if so, did you comment on the financial assumptions made?

- Colleges Scotland submitted responses (as *Scotland's Colleges*) to the following consultations:
 - a) **Review of College Governance: Griggs** (issued by the Scottish Government in August 2011). Response Title: *Accountable and Effective Governance: Scotland's Colleges Submission to the Review of College Governance* (submitted 25 November 2011).
 - b) **Putting Learners at the Centre: Delivering Our Ambitions for Post-16 Education** (issued by the Scottish Government on 15 September 2011). Response Title: *Realising the Potential of Scotland's People: Scotland's Colleges' Response to the Pre-Legislative Consultation Paper Putting Learners at the Centre* (submitted 16 December 2011).
 - c) **College Regionalisation: Proposals for Implementing Putting Learners at the Centre** (issued jointly by the Scottish Government and the Scottish Funding Council (SFC) on 14 November 2011). Response Title: *Scotland's Colleges: Shaping a Sustainable Model for a Successful Future Response to Proposals for Implementing Putting Learners at the Centre* (submitted 16 December 2011).
 - d) **Report of the Review of Further Education Governance in Scotland by Professor Russel Griggs** (issued by Scottish Government on 20 January 2012). Response Title: *Initial Response from the Chairs' Congress and Principals Convention on the Report of the Review of Further Education Governance in Scotland by Professor Russel Griggs* (submitted 24 February 2012).
- The Financial Memorandum contains new proposals within the **College Regionalisation** section for staffing structures/costs of the regional strategic bodies and regional boards as well as proposed remuneration levels for chairs of regional college boards which were not explicit in the previous Scottish Government consultation exercises noted above. The costs proposed for the **Review of Fundable Further and Higher Education** in the Explanatory Notes (paragraph 158, page 28) were not explicitly costed within the previous Scottish Government consultation exercises.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

See comments in question 1 above.

3. Did you have sufficient time to contribute to the consultation exercise?

The Christmas holiday period impinged upon the time to review and comment upon the Financial Memorandum within the draft legislation.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details?

Colleges Scotland is responding on behalf of the college sector, rather than commenting on direct costs associated with the organisation Colleges Scotland.

The following points reflect the financial implication for colleges:

College Regionalisation - Issues for Regional Strategic Bodies

- the staff costs as noted in the **Summary of Estimated Costs** in the Explanatory Notes (table contained within paragraph 123, page 22) within the Financial Memorandum for the regional strategic bodies appear light. There are five proposed positions equating to £430k per annum; this is on average £60k per role before on-costs. The CEO role is akin to a principal role and therefore it would be reasonable to assume a similar salary. Perhaps the additional costs of this post will be offset by the part-time administrative/board secretary role which are proposed.
- the proposal for the regional strategic body to combine administrative duties with board secretary responsibilities on a part-time basis may not be possible, as these roles require different skill sets and are unlikely to be accommodated by a part-time role.
- the **Summary of Estimated Costs** quotes £12k for one off start-up costs for the regional strategic bodies which would include setting up an office as well as financial and other processes. This figure seems very low.
- ongoing costs of £110k per annum (including VAT) for the regional strategic bodies appears to be light if these costs are expected to cover new premises, insurances, licences, audit fees, membership fees and staff training, to name but a few, items of expenditure.
- the assertion that the regional strategic body would not be VAT registered should be questioned. It might be prudent to consult a VAT expert to ensure that costs can be minimised within regional strategic bodies and assigned colleges as there may well be VAT implications unless a shared service provider is set-up as a third party body owned by the institutions concerned. Currently, many colleges consult with VAT experts to assist with this complex, specialist area.
- albeit not a direct cost, there are implications for staff of the regional strategic body e.g. assuming the curriculum lead has a teaching background, the new regional strategic body will require admitted body status to the teachers' pension scheme to ensure staff are not disadvantaged by being employed by such a body.
- the assessment that there will be no additional infrastructure costs for IT systems and processes for the new regional strategic bodies may prove to be optimistic. As a minimum, system set-up costs and initial training should be estimated.
- the cost of populating regional boards is estimated at £90k per board in 2013/14. These costs appear light as these boards will be new boards of 12-18 members. Advertising and recruitment costs will be incurred, as will disclosure costs for new board members. There are also no costs included for any changes to existing boards of regional colleges.

Review of Fundable Further and Higher Education

- costs of the review by SFC of fundable further and higher education (£150k - £300k every four years) are to be met from SFC which means these costs could ultimately come out of college budgets i.e. teaching grant.

Data Sharing with Skills Development Scotland (SDS)

- The estimating £52k one-off cost and estimated marginal on-going costs to establish technical solutions to effect the data sharing with SDS appears light. The data sharing imposes a legal duty on relevant bodies to share information on all 16-24 year olds moving through the learning system. This could possibly result in a very bureaucratic and administratively onerous process if not streamlined and automated. To do this would require investment and training for many partners.

5. Do you consider that the estimated costs and savings set out in the Financial Memorandum and projected over 15 years for each service are reasonable and accurate?

With reference to the response to question 4 above, it would be prudent to add additional costs as suggested. Projections over 15 years can be difficult to gauge with so many variables outwith immediate control.

6. If relevant, are you content that your organisation can meet the financial costs associated with the Bill which your organisation will incur? If not, how do you think these costs should be met?

Colleges Scotland have assumed that additional costs as noted in the **Summary of Estimated Costs** will be met from the budget within the regional colleges and regional strategic bodies which could ultimately results in a reduction to college teaching grant, if new monies are not made available or efficiency savings from SFC are not passed on.

7. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

The Financial Memorandum as it currently stands does not accurately represent the margins of uncertainty, as detailed under question 4 and for the reason stated in question 5.

Wider Issues

8. Do you believe that the Financial Memorandum reasonably captures costs associated with the Bill? If not, which other costs might be incurred and by whom?

Cost of Mergers

There are currently nine mergers taking place as part of the college regionalisation agenda. Although there are expected savings of approximately £50m¹ by 2015/16 based on recently completed mergers, the recent Audit Scotland (2012) report: *Scotland's colleges: current finances, future challenges* also notes that "mergers can be costly, complex and time-consuming". There is a £25m College Transformation Fund which will assist this process however this is unlikely to be enough to meet all the costs of merger. Audit Scotland suggested that the Financial Memorandum accompanying the Post-16 Education (Scotland) Bill should provide detailed assessment of the costs and benefits of regionalisation, including the cost of funding mergers. The current Financial Memorandum does not provide this information.

SDS Data Sharing

Data sharing costs are noted as marginal within the Financial Memorandum. This does not appear to be an appropriate costing for a significant IT process, with multiple partners providing data on a considerable group of the population i.e. young people between the ages of 16 and 24 moving through the learning system, with possible follow up measures that may also require to be tracked.

¹ Letter of Strategic Guidance for 2013-14 from Michael Russell, Cabinet Secretary (Scottish Government) to John McClelland, Chair (SFC) dated 4 October 2012, para 9.

Highlands and Islands Region – Regional Strategic Body

Costs are noted as marginal for the region of the Highlands and Islands, as the Bill designates the University of the Highlands and Islands as the regional strategic body. It might be prudent to expect some additional costs to enable the regional strategic body to carry out the duties already noted for other regional strategic bodies such as Glasgow and Lanarkshire.

Highlands and Islands Region – Appointment and Remuneration of an independent Chair of the Regional Strategic Body

There are costs estimated for the appointment of the nine regional college chairs and the three regional board chairs (£90k), and costs for remuneration of the nine regional college chairs and the three regional board chairs (total £240k), but no additional costs are included for the appointment or remuneration of an independent chair of the regional strategic body of the Highlands and Islands region. This seems at odds with the principle of the chair being appointed using the public appointments process and suggests that the chair within the Highlands and Islands region may not be remunerated.

9. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

It is not clear from the draft legislation if single college regions can merge or operate under a federal system with another region, at some point in the future, for the benefit of the learner. The possible change to the current map of the regions and therefore fundable bodies may require secondary legislation.

There are other future potential costs associated with possible legal employment disputes as a consequence of the principal being employed by the assigned college in a multi-college region but the terms and conditions, performance review and remuneration, set by the regional board.

There are also potential costs associated with possible breaches of other legislation e.g. health & safety, equalities etc as a result of the same principle as noted above i.e. accountability held by the regional board and the responsibility held by the assigned college board.