

Colleges Scotland Submission to the Public Audit and Post-legislative Scrutiny Committee on the Audit Scotland ‘Scotland’s colleges 2016’ Report

Key Messages

It is important that we look forward. Despite regionalisation and mergers, along with all the other changes and challenges that the sector has faced, Scotland’s colleges continue to be at the heart of the education landscape and promote economic growth in Scotland in a variety of ways. They have a fundamental role to play and are a primary source of education to local residents and a supplier of trained skilled workers to industry.

Audit Scotland has recognised that colleges performed well over the last year and that they continue to meet their activity targets set by the Scottish Funding Council (SFC).

The report highlights the significant changes that the sector has faced, whilst continuing to focus on students and the delivery of high quality courses. Whilst many of the changes have taken place recently and may require time to settle down, it is encouraging that 90% of students surveyed in 2015 were satisfied with their experience at college. It is clear from Audit Scotland’s report that colleges are great places for many people to learn and to develop the necessary technical and professional skills that help bring benefit to the individual, as well as to society and the Scottish economy. Colleges are at the forefront of developing a vision for the learning and skills journey and is in dialogue with key stakeholders around this.

The Audit Scotland report, whilst emphasising the overall stability of the sector’s financial health, is clear that the college sector is showing signs that it is facing significant financial pressures. For example, the number of colleges forecasting deficits is increasing. Audit Scotland’s report stated that 11 out of 20 colleges are forecasting a deficit this year however, more recent SFC information suggests this could now be as many as 16 colleges out of 20 forecasting financial deficits. This highlights the importance of sustainable future funding for the sector to ensure that colleges can continue to deliver the skills and training that individuals, employers and the economy needs.

Colleges Scotland acknowledges that there are areas where further work is required and are committed to working with the Scottish Government to ensure that colleges as public bodies, are as financially stable and sustainable as possible. Activity is progressing and we are continuing to work with the Scottish Government, SFC and other key stakeholders.

Specific Issues

Financial Planning

The scale and number of changes experienced by the college sector over the last few years has reduced the ability of colleges to look ahead more strategically but they are now in a position to focus more on the future. It should be acknowledged however, that there are key constraints which curtails 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. Some areas of spend are also subject to annual variation, such as Student Support Funding, where it is not possible to know the resource requirements until the cohort of students arrive.

Colleges Scotland is working with the Scottish Government, SFC and key stakeholders to address these issues and to develop a greater understanding of the future costs, as well as explore ways to provide for greater flexibility around financial planning. This could include areas such as:

- A focus on analysing and monitoring multi-year trend data, in order to assist in identifying future financial pressures.
- A reduction in the use of in-year redistribution of resource between regions.
- A suitably flexible mechanism for balancing varying activity levels and associated resources, between different regions.
- An appropriate framework to allow colleges to maximise commercial opportunities.
- Factoring in known or likely variations in EU funding.

Reduction in Capital

The report also acknowledges that there has been a reduction in capital funding for the sector. Due to the constraints of the Office for National Statistics (ONS) reclassification of colleges, they can no longer borrow and are more or less entirely reliant on public funds for their capital investment needs. Colleges Scotland is working with SFC to set out a 10-year strategy for capital investment which is expected to be finalised in 2016. To inform the strategy, SFC has identified colleges which have major capital investment needs.

Adequate capital funding is vital to ensure that colleges can offer their students high quality learning experiences in facilities that allow them to experience the conditions and use of equipment that constitute modern practice.

Reclassification

One result of ONS reclassification is that colleges are now classed as 'public bodies' and are subject to central Scottish Government accounting rules. The total impact of reclassification is still being worked through however, a large number of the impacts and changes are now better understood by all and these have resulted in a significant change in approach to financial planning and accountability. Colleges have adapted their accounting systems and Audit Scotland acknowledges that it has led to greater accountability for the public purse.

One particular area highlighted by the Audit Scotland report, is the use of net depreciation. Whilst this is a complex approach, what is important is that a suitable solution is found that protects the necessary investment levels in the college sector. What would be helpful from a college financial planning point of view is for colleges to have the flexibility to utilise the net depreciation funding without needing to seek prior permission from Scottish Government. A related issue is that the use of net depreciation causes 'technical deficits' to be seen in college accounts as a result of accounting rules. Work is ongoing between Colleges Scotland, the Scottish Government and SFC to seek a solution around the presentation of the statutory accounts, so that the 'bottom-line' more truly reflects the underlying financial health of the sector.

Workforce Planning and National Bargaining

The employers and unions are working towards developing a Workforce for the Future.

It is envisaged that this work will result in new contracts for all college employees therefore, our long-term financial strategy will have to take account of the costs associated with delivering the Scottish Government's policy of the re-introduction of National Bargaining to the college sector and the subsequent development of the Workforce for the Future. In addition, other areas like National Bargaining which is highlighted in the Audit Scotland report, are as yet not progressed sufficiently to a point where the detailed additional costs are known however, it will be important for expectations to be reasonable to ensure affordability and sustainability.

National Bargaining cannot simply be about harmonisation to the best of the best. However, the re-introduction of National Bargaining provides the sector the opportunity to develop and deliver real and progressive change that will bring benefit to our students and employees. Importantly any change will be negotiated with ongoing affordability and sustainability being fundamental aspects of any agreement reached.

Governance

Good governance must lie at the heart of the college sector to build public trust and deliver vital services to students, employers and communities. There has already been a sea-change in the way that colleges are governed and the sector itself has embraced the need to focus on achieving the highest standards of governance. A *Code of Good Governance for Scotland's Colleges* has been developed and the sector's Good Governance Steering Group (GGSG) continues to meet to oversee its implementation and review.

Following a review of the existing Code this Summer, the updated Code was published in September 2016, along with guidance from SFC. Various models of best practice are currently being developed by the GGSG which incorporates the Scottish Government's Governance Task Group recommendations. Audit Scotland's report acknowledges this good work, to ensure that we have systems and clear accountability fit for a modern college sector.

Decrease in Part-time Student Numbers

Colleges Scotland acknowledges that there has been a reduction in student numbers which can primarily be attributed to delivering on the Scottish Government's policy to focus on young people and courses which are more than 10 hours of study that lead to recognised qualifications.

A consequence of this policy is that there are now more full-time students and less part-time students. Those who study part-time tend to be mainly female and over 25 years old. We will continue to make the case to ensure that colleges provide opportunities for adult learners, as they offer a vital lifeline back into education and work.

Colleges will continue to offer the best possible options that they can for all students with the resources they have available to them.

Decrease in Attainment and Retention

Overall, Scotland's colleges have delivered around a 10% increase in attainment and a 5% increase in retention over the last six years. The impact of the changes and an increased focus on the Scottish Government's policy on widening access are likely to be contributing factors in the small decrease last year.

Colleges Scotland
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