Forth Valley College

Agenda

4 December 2018
AUDIT COMMITTEE

Boardroom, Falkirk Campus at 5.30pm

Items 5 and 6 are joint items with the Finance Committee and will be considered first at the meeting.

AGENDA

1. Declarations of interest

2. Apologies

FOR APPROVAL

3. Minutes of meeting of 6 September 2018

4. Matters Arising

   a) A/18/005 Annual Internal Audit Plan 2018-19

5. Annual Report and Financial Statements 2017/18 (Joint item with Finance Committee) — Senga McKerr

6. Draft External Audit Annual Report to the Board of Management (Joint item with Finance Committee) — Ernst and Young

(Paper 6 is withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

FOR DISCUSSION

7. Chairs Report to the Board of Management — Lorna Dougall

8. Presentation of Internal Audit Reports — Scott Moncrieff

   a) Credits
   b) Student Funds

9. Progress Report on Audit Recommendations — Stephen Jarvie

10. Risk Management — Alison Stewart

11. Private Discussion between Committee and Auditors (Verbal) — Lorna Dougall

12. Review of Risk

13. Any other competent business

FOR INFORMATION

College Assurance Map
Audit Scotland Scotland's Colleges 2018 Report

3. Minutes of Meeting of 6 September 2018
For Approval

4 December 2018
AUDIT COMMITTEE

Boardroom, Falkirk Campus (commencing at 5.00pm)

Present: Mrs Lorna Dougall (Chair)
Mr Colin Alexander
Mrs Trudi Craggs
Mrs Beth Hamilton

In Attendance: Mr Ross Martin, Chair Board of Management
Mrs Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Mr David Allison, Vice Principal Information Systems and Communications (VPISC)
Mr Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)
Ms Elizabeth Young, Scott Moncrieff
Ms Claire Stevenson, Scott Moncrieff

A/18/001 Declarations of Interest

None

A/18/002 Apologies for Absence

None

A/18/003 Minute of Meeting of 27 June 2018

Approved

A/18/004 Matters Arising

a) A/17/041 AOCB – Audit Member training

It was agreed that members would aim to have this training completed in time for the next Committee meeting.

A/18/005 Annual Internal Audit Plan 2018-19

Mr Gary Devlin, Scott Moncrieff, presented members with the proposed audit plan for 2018-19.

He noted that the plan had been developed to reflect the College risk register and that it had also been considered by the College Senior Management Team who had requested the inclusion of an audit looking at Mental Health services in the College.

Members noted that the appendix which showed the cyclical review would seem to indicate areas rated as high and due for audit every 3-5 years had not been reviewed.

It was noted that the appendix showing this information should be reviewed to show the full 5 year period to see whether these areas had been reviewed.

Mr Devlin also noted that, for some of these areas, the College may rely on other assurance beyond internal audit.

It was agreed that the College assurance map which had previously been provided to Audit Committee should be updated and brought to the next meeting of the Committee.

Members queried the timing for the C2 Project Management (new campus) audit as they felt the current timing would not allow enough time for lessons learned to be implemented prior to the project completion date. It was agreed that the VPFACA should liaise with Scott Moncrieff in bringing the date forward.

a) Members approved the plan subject to the changes outlined above

A/18/006 Presentation of Internal Audit Reports

Mr Devlin presented members with three internal audit reports which had been completed since the last meeting of the Committee.

Student Experience

He noted that this was a good report overall with good arrangements in place for gathering student feedback. In relation to hate crime reporting he noted that a few areas for further improvement had been identified as outlined in the report.

a) Members noted the content of the report

Follow Up

Mr Devlin presented the report and noted that the follow up continued to demonstrate that management took audit recommendations seriously and had closed off a number of recommendations over the previous year.

He noted that the College was seeking to remove a recommendation relating to international activity as this area was undergoing review at this time. Members agreed to the removal of this recommendation.

a) Members noted the content of the report

GDPR

Mr Devlin informed members that this report was designed to look at arrangements post implementation of GDPR and was an overall positive report with only 2 minor areas for improvement identified.

Members noted that it would be useful to revise this area in a couple of years' time to see how the arrangements are working.

a) Members noted the content of the report

A/18/007 Internal Audit Annual Report 2017/18

Mr Devlin presented the annual report and overall opinion of Scott Moncrieff, which was that they had reasonable assurance that arrangements in place were adequate. He informed members that this opinion would be used to inform the College annual accounts.

He highlighted to members that, in order to comply with internal audit standards, Scott Moncrieff themselves were subject to review. He noted that the review provided a strong assessment of Scott Moncrieff and that detail on this was included in the report.

a) Members noted the content of the report

A/18/008 Progress Report on Audit Recommendations

The CGPO presented members with the progress report on audit recommendations since the last meeting of the Committee.

He highlighted that there were two recommendations relating to international activity (one of which had already been covered by Mr Devlin) which the College were seeking to remove and outlined the reasons for this request.

He also noted that there were some recommendations where slight extensions to the completion dates were being requested and outlined the reasons for this.

a) Members noted the content of the report and approved both the removals and extensions

A/18/009 Risk Management

The Chair informed members that there would be discussion on risk with the full Board of Management at the upcoming Board strategic session in late September.

She noted that the risk register, while good, would benefit from further engagement from the Board as well as including opportunities as well as risks going forward.

She asked members for input on further improvements which could be made.

Members noted that the risks were very detailed and that it may be beneficial to focus on the major concerns associated with each risk.

Members also discussed and recommended that 'deep dives' on a single risk should form part of each Committee meeting.

They noted that the intention of the deep dives was not to create additional work for College staff or have the Committee comment on operational matters but to enhance their understanding of risks. It was agreed that the remit for a deep dive would be –

- Occur at each meeting for one risk, starting with international activity at the March 2019 meeting as the November meeting had a full agenda
- That key staff involved in the risk area should be invited to the meeting to discuss the risk
- That staff should not be required to create additional reports etc for the Committee and that the Committee would be content with receiving copies of the most recent reports to Senior Management on the risk area
- That there would not be any PowerPoint presentations as the intention of the deep dive was to facilitate informal discussion between the Committee and the staff involved in the management of the risk
- That the Committee would not make recommendations of an operational nature

a) Members noted the content of the report

A/18/010 Review of Risk

Members noted that, while no additional risks were identified, the opportunity to conduct a deep dive to increase the Committee's knowledge of risk areas should be noted.

A/18/011 Any Other Competent Business

Mr Devlin noted that Scott Moncrieff were running a training programme for non-executive Board members. It was agreed that the VPFACA would circulate the invite to members.

1. Purpose

To present to members the draft Annual Report and Financial Statements for the year to 31 July 2018.

2. Recommendation

Members discuss the financial position of the College for the year ended 31 July 2018 and approve the Annual Report and Financial Statements for the year ended 31 July 2018.

3. Background

The Office for National Statistics (ONS) reclassification of FE Colleges came into effect from 1 April 2014. There are a number of significant implications resulting from this reclassification not least the inability to retain surplus cash without this in effect being frozen due to government resource budgeting restrictions.

The Annual Report and Financial Statements have been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council in August 2015 which requires the College to comply with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2015 (2015 SORP), the Scottish Public Finance Manual (SPFM) and the Scottish governments Financial Reporting Manual (FReM).

The SPFM and FReM both require additional disclosures.

The financial statements are noted as draft as we are waiting for final partner comments from the auditors, Ernst & Young.

4. Key Considerations

The adoption of the Financial Reporting standard (FRS) 102 and the 2015 SORP, combined with the government accounting restrictions on the ability to retain cash surpluses due to resource budgeting restrictions, means it is difficult to present the College's financial position in a way which informs readers of the true underlying financial sustainability of the College.

The key consideration for members is the long term financial sustainability of the College. This is referred to within the Annual Report and Financial Statements as the College continuing to operate on a "going concern" basis. Under the current reporting regime previous indicators such as reporting an operating surplus and having a strong Balance Sheet with net assets are no longer achievable. This does not however mean that the College is financially unsustainable.

The key measures going forward is the College's ability to generate cash from its day to day operational activities, and evidence that it can meet its liabilities as they fall due. The impact of non-cash technical accounting adjustments, while they are relevant to some extent, should be excluded when assessing the College's financial strength.

The Financial Performance section of the Performance Report provides a detailed review of the College's financial performance for the year ended 31 July 2018 and its financial position at 31 July 2018. The key points to note are:

- The College generated an underlying operational surplus of £652k excluding non-cash adjustments, funding from the Forth Valley College Foundation, the estates development costs and the loan repayments. This surplus demonstrates that the College is operating sustainably within its funding allocation.
- The net liability position in the Balance Sheet is distorted due to the technical accounting adjustments in relation to the treatment of government capital grants and pension liabilities. Also, the impact of reclassification where surplus cash has been donated to an arm's length foundation or spent to support the estates development programme impacts on the net liabilities.
- The sale of land at Middlefield generated cash of £2.1m and an accounting surplus of £700k. This cash was used towards the New Falkirk main contract build costs.
- £146k is receivable within 2017/18 from the Forth Valley College Foundation in relation to capital IT spend for the new Falkirk Campus.
- The external auditors are content there are no going concern issues as the underlying financial position has been clearly demonstrated.

5. Financial Implications

SFC guidance states that for the financial period ended 31 July 2018 Colleges are permitted to report deficits equivalent to the spend on cash budget for priorities, FRS 17 pension charges and FRS 102 adjustments. The reported financial position falls within the guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, SFC have issued a statement of assurance for Colleges to incorporate into their Financial Statements for the financial period ended 31 July 2018. This statement stated the deficit should be viewed as a "technical" deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. The full Statement is on page 12 of the Accounts.

6. Banking Covenants

A covenant is in place with Barclays, which is linked to the resource outturn. The College has met this covenant for 2017/18. SFC have removed the requirement for resource returns for fiscal year 2018/19. Discussions are ongoing with Barclays as how to satisfy the covenant using the Cash flow information now provided to SFC and Alison Stewart will provide a further update at the meeting.

7. Equalities

Assessment in Place? – N/A

8. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		x
Low	x	
Very Low		

Due to the adoption of FRS 102 in terms of the accounting treatment of certain items and the associated presentational changes, the College's underlying financial health is being masked. There is a risk that those not familiar with the technical aspects of Financial Statements will misinterpret the state of the College's financial health. In mitigation of this, it needs to be stressed that both the Board of Management, SFC and the external auditors are in agreement that there is no going concern issue.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

7. Chairs Report to the Board of Management For Approval

4 December 2018
AUDIT COMMITTEE

1. Purpose

To present to members the annual report from the Chair of the Audit Committee to the Board of Management for approval.

2. Recommendation

That members approve the attached report.

3. Background

The Chair of the Audit Committee presents a report of the Committee's activities on an annual basis.

As this report is linked directly to the associated financial year, the information within this paper covers the 12 month period from 1 August 2017 to 31 July 2018 period.

4. Financial Implications

Please detail the financial implications of this item – None. All audit activity is fully budgeted and progress against agreed activity is monitored.

5. Equalities

Assessment in Place? – Yes ☐ **No** ☒

If No, please explain why – Not applicable

Please summarise any positive/negative impacts (noting mitigating actions) – Not Applicable

6. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Failure to adequately check internal systems via the internal audit service could lead to systemic errors or inefficiencies. The Internal Audit function, overseen by the Audit Committee, ensures that adequate assurances are received.

Risk Owner – Ken Thomson

Action Owner – Alison Stewart

7. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ **No** ☒

Health and Safety – Yes ☐ **No** ☒

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Alison Stewart

ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF MANAGEMENT

1. Introduction

This report covers the 12 month period from 1 August 2017 to 31 July 2018. Membership of the Committee during that period was as follows:

Name	Attendance Record
Colin Alexander	1 of 3 meetings
Lorna Dougall (Chair)	3 of 3 meetings
Beth Hamilton	2 of 3 meetings
Trudi Craggs	3 of 3 meetings

The Committee met on the following dates:
14 September 2017
23 November 2017
31 May 2018

2. Internal Audit

Internal Audit is governed by the Code of Audit Practice, as published by the Scottish Funding Council (SFC). The Code requires the Internal Auditors to adopt a risk-based approach to the programme, and to undertake follow-up work to ensure that all recommendations accepted by College management have been implemented.

Audit Provider: Scott Moncrieff. Their charge for the period was £19,978. (Fees are based upon the degree of responsibility and skill of staff, and the time involved in the work. Fees for additional services or assignments are agreed separately in advance).

Annual Report on Audit Activities: The Internal Auditor's report on audit activities carried out during the year 2017–2018 was considered by the Audit Committee at its 6 September 2018 meeting. Internal Audit assignments for this period were carried out broadly in accordance with the Audit Plan agreed by the Audit Committee in November 2017.

Achievements: The audit assignments were identified based upon a review of the College risk register, the identification of new systems being implemented within the College and those audits (i.e. credits) required on a rolling basis.

The specific audit reports produced for each assignment made recommendations for the improvement of internal procedures and controls, and each recommendation was given an agreed target date for implementation. The monitoring of internal audit recommendations is a standing agenda item on Audit Committee agendas.

Effectiveness: On the basis of the work undertaken during the year the auditors have expressed an opinion that the College has –
"a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks."

3. External Audit

Audit Provider: Ernst & Young LLP.

Auditors Report: The External Auditor's report on the Financial Statements for the year 2017-2018 is included in the papers. The audit was carried out during October/November 2018.

Management Letter: During the course of the audit the Auditors performed overviews of the key financial systems of the College to assess their adequacy for the purposes of ensuring that accurate, timely and complete accounting records were being maintained. The recommendations resulting from this exercise are set out in the report of the External Auditor.

4. Other Matters

During the past 12 month period, in addition to receiving reports from the Internal and External Auditors, the Committee also considered the Risk Register and treatment of significant risks.

The Audit Committee will also meet with the Internal and External Auditors without College staff in attendance at their meeting of 4 December 2018.

5. Adequacy and Effectiveness

The Committee accepts the views of the internal and external auditors that Forth Valley College's internal financial and management systems are adequate and that the Board of Management's responsibilities have been satisfactorily discharged.

Lorna Dougall
Chair
4 December 2018

Item 8a

Forth Valley College

Internal Audit Report

Review of Credits Return 2017/18

September 2018

Scott-Moncrieff
business advisers and accountants

Forth Valley College

Internal Audit Report

Review of the 2017/18 Credits Return

Executive Summary

During September 2018 we audited the funding statistics for Forth Valley College (the College). The audit examined the procedures and controls over the preparation of the 2017/18 credits return, together with audit testing to ensure the accurate calculation of the return.

Conclusion

In our opinion, controls over the collection of data and the preparation of the Credits returns are adequate and effective. Assurance can be gained from the audit testing carried out and the internal checking performed by College management that the Credits count for the College has not been materially misstated. A copy of the audit certificate is included in Annex A of this report.

Under the conditions of grant, the SFC may claw-back an element of the grant if actual Credits provided are below target. Actual Credits claimed for 2017/18 were 86,976 against a target of 86,877. The difference is 0.11% above target Credits.

The credits claimed includes ‘one plus’ activity amounting to 2,060.35 credits, or 2.37% of the total volume of credits allocated to the College. This is within the 2.5% threshold set up for ‘one plus’ activity by the SFC for the period of 2017/18.

Scope

We performed our audit in accordance with the guidance issued by the Scottish Funding Council (SFC), including the ‘Data return for funding purposes (FES return) and audit guidance for colleges 2017/18’.

Approach

The audit comprised of five days of fieldwork by our audit team. Quality assurance was provided by detailed review of work by the Audit Manager and overall review by the Audit Partner.

Our audit approach involved the following:

- Examination of the procedures and controls relevant to the collection and recording of student data;
- Evaluation of the adequacy of these controls in complying with SFC guidance and ensuring the accuracy of the data;
- Testing of the key controls to ensure they were operating satisfactorily;
- Examination, on a test basis, of evidence relevant to the figures recorded in the student data returns;
- Review of the risk areas as highlighted in the audit guidance for 2017/18[1];
- Analytical review utilising current year and prior year Credits data;
- Further detailed testing where necessary, including checking of the Credits return; and
- Follow up of prior year recommendations.

[1] Data return for funding purposes (FES return) and audit guidance for colleges 2017-18

Sample

Our initial sample was derived by:

- applying Scott-Moncrieff's approved sampling methodology;
- considering the materiality of the area under review; and
- applying professional judgement.

Where necessary, samples were extended to ensure that we gained sufficient coverage of all programme and student variables as specified within the audit guidance.

Our sample testing has provided 0.18% coverage of total students and 2% coverage of programmes for which the College has claimed Credits, based on our assessment of the risk of material misstatement in the Credits return. During the audit, we did not identify any errors that impacted on the Credits calculation; therefore there was no requirement for testing to be extended.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Detailed Findings

Our review centred on testing College data on a sample basis and, where appropriate, consulting with staff and senior management. This was performed to provide assurance that all of the risks set out in Annex D of the audit guidance note referred to above had been satisfactorily addressed and that the fundamentals of compiling Credits data were subject to appropriate controls.

General Systems Review

The accuracy of the data on which the Credits return is calculated depends on appropriate controls and systems over enrolment and attendance and the timely clearing of errors on the FES report.

We have gained assurance from the audit work performed that the College has robust and effective controls in place to ensure the accuracy and completeness of the FES return data provided to the SFC. This includes a comprehensive curriculum planning process and the use of the Unit-E system for recording student and programme data. We have provided details of the specific controls in place and the testing performed over the controls in the 'key risk areas' section below.

Follow up

We reviewed the prior year audit report and discussed the progress of implementing the agreed actions with management. The outcome of this analysis was used to inform our audit strategy.

The prior year audit findings appeared to have been addressed by management during 2017/18, and no significant associated issues were identified during the course of our audit work.

2016/17 Audit Finding	2017/18 Follow up
Superclass Classification We tested a sample of 20 courses to confirm whether the course had been allocated to a superclass and price code that appeared reasonable and in line with SFC guidance. We noted one course that appeared to be incorrectly classified based on the content of the relevant modules, which was confirmed with the SFC and agreed by the College. This would have resulted in an over-claim of funding as the original superclass selected was linked to price group 2; the new superclass is price group 1. We confirmed that the College has made this adjustment within the FES return. There is a risk that courses are allocated to the incorrect superclass due to the lack of secondary checks, resulting in incorrect allocations that to inappropriate price groups that results in over-claiming of funding.	Secondary checks of assigned Superclass to courses, involving staff from MIS and Curriculum & Quality have been established prior to completion of the FES return. We tested a sample of 20 courses to confirm that they had been allocated the correct superclass and dominant price group. No issues were identified.

We recommend that as part of the checks the Student Records team performs over courses during the curriculum planning process, staff complete reasonableness checks over the superclass and price group allocated to ensure courses have been classified appropriately.	
Calculation of required dates The Unit-E system automatically calculates the required date for students by identifying the date on which 25% of working days from the date the course started to the end date. However, per SFC guidance, the required date should be calculated as 25% of the number of calendar days between the start and end dates of the course. Despite the incorrect required date on the system and within the FES, we performed checks over withdrawn students to confirm there were no instances in which credits had been incorrectly claimed as a result of the incorrect required date. There is a risk that credits are claimed incorrectly in future due to incorrect calculation of the required date, resulting in over-claiming of credits and potential funding clawbacks. We recommend that the programming within Unit-E is updated to calculate the required date using calendar days, rather than working days.	Required dates for non-full time courses were previously calculated using working days. The calculation of required dates has now been changed within College systems to be based on calendar dates rather than working dates. We tested a sample of 20 student enrolments to confirm that the required date had been correctly calculated. No issues were identified.

Key risk areas

The results of our audit work are summarised below against each of the 12 key risk areas highlighted by SFC in Annex D of the '2017-18 data return for funding purposes (FES return) and audit guidance for colleges' document.

Risk Area 1 – Non-fundable activity is included in the Credit count

The FES return is generated by the Unit-E software used by the College, which is configured to exclude courses not identified as fundable. The source of funding for courses is entered into the system when courses are created by Curriculum Managers This information is subject to review and approval by Heads of Department prior to its upload into Unit-E, and is sense checked by the student records team at the point of generation of the FES return.

We selected a sample of 20 courses included in the return, and checked these against SFC guidance to confirm that the claimed activity was fundable. No issues were identified.

Risk Area 2 – Non-fundable students are included in the Credit count

Student eligibility is assessed as part of the application and enrolment processes operated by the College, which are designed to capture relevant information and record this in Unit-E. Unit-E performs automated validation to ensure that only fundable students are included in the return.

We selected a sample of 20 students and assessed their eligibility to receive funding against guidance issued by the SFC. No issues were identified.

Risk Area 3 – Programme is not classified correctly

Classification of programmes in terms of mode of delivery, or as further or higher education, is performed at the point of course creation during the curriculum planning process and is subject to review and approval by Heads of Department. This information is then sense checked at the point of generation of the FES through the use of exception reporting produced by Unit-E.

We selected a sample of 20 courses and confirmed that their mode of delivery had been correctly classified, and that they had been correctly coded as FE or HE based on SFC guidance. No issues were identified.

Risk Area 4 – Infill Students are counted as part of the programme which is being in-filled, rather than their individually tailored course or is included as part of both courses

The College allocates distinct programme codes to infill courses during enrolment, as opposed to enrolling students on the courses making up the infill programme.

For our sample of 20 students selected, we identified the infill students and confirmed that they had been enrolled on a specific infill programme, that the credits claimed were consistent with their course of study, and that for any given course they appeared only once in the FES return. No issues were identified.

Risk Area 5 – Incorrect allocation of Credits for students registered on ECDL courses

ECDL courses are allocated specific course codes allowing ECDL students to be separately identified. Within Unit-E, the credit values for ECDL modules are allocated such that the correct number of credits will be claimed for completion of individual modules making up a proportion of the complete course.

The student records team run a report of credits claimed for ECDL students, which is used to verify that credits are not claimed for ECDL students in excess of the maximum of four credits.

For our sample of 20 students selected, we identified those students enrolled on ECDL courses and confirmed that the credits claimed were consistent with their completion of ECDL modules, and that no more than four credits were claimed. No issues were identified.

Risk Area 6 – Incorrect Dominant Price Group Code is allocated to programme

Course Superclass and Dominant Price Group for courses are determined when the course is created during curriculum planning, and subject to review and approval prior to upload into Unit-E.

As Dominant Price Groups are mapped against Superclass in recent FES guidance, Unit-E performs automated validation to ensure that the information entered is consistent.

We selected a sample of 20 courses and confirmed that the Superclass and Dominant Price Group assigned were consistent with SFC guidance. No issues were identified.

Risk Area 7 – Students included in the return do not meet attendance criteria

Start and End dates for courses are entered into Unit-E during the curriculum planning process, with the "required date" for attendance automatically calculated. Where students have been withdrawn, the student records team use the date of last attendance recorded through the College's Enquirer system as the date of withdrawal, regardless of when the withdrawal notification itself is processed. Unit-E uses this date in the generation of the FES to exclude students who have not met the required date from the claim.

The student records team regularly run attendance reports to identify potential attendance issues, and liaise with teaching areas to ensure that withdrawals are processed where students are not meeting attendance requirements.

Where students are not subject to direct attendance monitoring, particularly in the case of flexible and distance learning students, the student records team are reliant on teaching areas monitoring engagement. We noted that no consistent approach was in place for monitoring these students, and that during testing it was necessary to rely on academic evidence such as recorded results or completion of coursework to evidence engagement after the required date.

Recommendation 1

We selected a sample of 20 students and confirmed that the required date recorded in Unit-E was correctly calculated in line with SFC guidance, and that evidence was available of attendance after the required date. No issues were identified.

Risk Area 8 – Incorrect Credit value is claimed for the programme of study

Credit values for individual courses and modules of study are determined during the curriculum planning process, and as noted previously these are subject to review and approval prior to their upload into Unit-E. The credit values entered are used in the generation of the FES returns.

We selected a sample of 20 courses and confirmed that the credit value recorded in the Unit-E software was in line with SFC guidance. The sample included a proportion of courses with flexible durations, for which we confirmed that the calculation of credits was correct. No issues were identified.

Risk Area 9 – The college Credits claim for an individual student exceeds the maximum claim allowed for a student per year

SFC guidance places a limit on the number of credits that can be claimed for an individual student in any academic year. Activity in excess of these thresholds is termed "one plus" activity which, for 2017/18 cannot exceed 2.5% of the College's credits target, and must be supported by evidence of demonstrable need.

The student records team regularly produces a monitoring report of individual students whose claims exceed the thresholds in the SFC guidance, allowing the College to determine the number of one plus credits claimed. Certain classes of course are excluded from the determination of one plus credits. These are identified within Unit-E and thus excluded from the monitoring report.

For our sample of 20 students selected, we also confirmed that for those students claiming additional credits, the College had demonstrated a justifiable need for those credits and that the courses were extending the employability of the students. No issues were identified.

Risk Area 10 – College records fee waivers which are not covered by the standard fee waiver policy

Eligibility for fee waivers is assessed at enrolment in line with a documented policy, which reflects National Guidance.

We selected a sample of 10 students in receipt of a fee waiver, and confirmed that the College has correctly assessed the student as eligible and obtained evidence in support of their assessment. No issues were identified.

Risk Area 11 – Students who enrol on an open/ distance learning programme do not continue with the programme

Students enrolled on open or distance learning programmes are supported by a dedicated team within the College, who monitor student progression.

For our sample of 20 students selected, we identified those students on open/distance learning programmes and confirmed that evidence was available of reasonable duration being set, milestones agreed, and ongoing monitoring of progress. No issues were identified.

Risk Area 12 – Incorrect Credit value is claimed for collaborative provision

No programmes were delivered by the College in collaboration with another institution in 2017/18.

Recommendations

All actions have been given a risk rating as follows:

4	•Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
3	•High risk exposure - absence / failure of key controls that create significant risks within the organisation.
2	•Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
1	•Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general

1. Distance and Flexible Learners (Grade 2)

The College does not have a policy setting out its approach to the monitoring of learners on flexible or distance learning programmes. While learners on such programmes are proactively monitored by dedicated staff, the approach to managing student engagement varies by programme.

For students on these programmes, where conventional attendance monitoring is inappropriate, the student records team is reliant on withdrawal notifications from teaching and learning support staff to identify students that should be excluded from the credits return.

Risk

There is a risk that the College may not be able to evidence satisfactory engagement and the achievement of the required date for credits purposes in the case of distance learners.

Recommendation

The College should consider agreeing a set of guidelines that can be applied consistently in order to determine whether flexible or distance learners have achieved the required date for credits purposes, and agreeing these with teaching areas.

Management response: While sampling of this area identified no students where evidence couldn't be provided of progress, we agree that this is an area where guidance could be enhanced to ensure that Credits are only claimed for progressing distance and flexible students, and will look to implement during this academic session.

To be actioned by: Learning Services Co-ordinator/Student Records Manager

No later than: February 2019

Adjustments

No issues impacting the accuracy of the return were noted through testing. We have therefore not raised any adjustments for the year to 31 July 2018.

Annex A

Audit Report

Auditor's report to the members of the Board of Management of Forth Valley College

We have audited the FES return which has been prepared by Forth Valley College under the 'Credits' Guidance issued 10 May 2017 and which has been confirmed as being free from material misstatement by the college's Principal in his Certificate dated __________. We conducted our audit in accordance with guidance contained in the 2017-18 audit guidance for colleges. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. It also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material misstatement.

In our opinion:
The student data returns have been compiled in accordance with all relevant guidance.
Adequate procedures are in place to ensure the accurate collection and recording of the data.
On the basis of our testing [subject to the exceptions given below] we can provide reasonable assurance that the FES return contains no material misstatement.

Signature

Date

Name of audit firm

Contact name

Contact telephone number

Date FES returned

Scott-Moncrieff
business advisers and accountants

Mr Kenny Wilson
Senior Policy / Analysis Office
Funding Policy
Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

05 October 2018

Our Ref: GJD/SXD

Dear Mr Wilson

Forth Valley College – Credits Audit Certificate for AY 2017/18

Please find enclosed our Auditor's Report in respect of the above college's Credits submission for the 2017/18 academic year.

We also enclose a copy of Annex A: College Certificate as signed by the College Principal and a copy of our report on the 'Review of the 2017/18 Credits data return'.

Please contact me should you wish to discuss any aspect of the audit or our report.

Yours faithfully

[redacted]

Gary Devlin
Partner
Gary.devlin@scott-moncrieff.com

Enc.

Credits audit certificate for AY 2017/18

Auditor's report to the members of the Board of Management of Forth Valley College

We have audited the FES return which has been prepared by Forth Valley College under the 'Credits' Guidance issued 10 May 2017 and which has been confirmed as being free from material misstatement by the college's Principal in their Certificate dated 01 October 2018. We conducted our audit in accordance with guidance contained in the 2017/18 audit guidance for colleges. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. It also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material misstatement.

In our opinion:

- The student data returns have been compiled in accordance with all relevant guidance.
- Adequate procedures are in place to ensure the accurate collection and recording of the data.
- On the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement.

[redacted]

05 October 2018

Scott-Moncrieff

Gary Devlin, Partner

0131 473 3500

Date FES returned: 01 October 2018

Annex A

College certificate

Scottish Funding Council
Apex 2
97 Haymarket Terrace
EDINBURGH
EH12 5HD

I confirm that the FES return contains details of all Credits claimed in respect of fundable programmes relating to college activity in AY 2017-18. I also confirm that I am satisfied that the information supplied in the FES return is free from material misstatement. I confirm that the figures include, where appropriate, any adjustments identified from our auditors' review. The total number of Credits claimed is as follows:

Baseline Credits target	ESF Credits Target	Total Credits funding claimed – Baseline + ESF
84,647	2,230	86,976

College Name Forth Valley College

College Principal's signature [redacted]

Date: 1/10/18

Scott-Moncrieff
business advisers and accountants

Jane Scott
Scottish Funding Council
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD

05 October 2018

Our Ref: GJD/SXD

Dear Sirs

Forth Valley College – Aggregated Student Support Return

Please find enclosed a signed copy of the audited Scottish Funding Council Aggregated Student Support Return for the 2017/18 academic year for the above college.

We have examined the books and records of the above college and have obtained such explanations and carried out such tests as we considered necessary.

On the basis of our examination and of the explanations given to us, we report that the information set out in these forms is in agreement with the underlying records.

We also report that, in our opinion, the college used these funds in accordance with the Scottish Funding Council's conditions.

We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate.

Yours faithfully

[redacted]

Gary Devlin
Partner
gary.devlin@scott-moncrieff.com

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College - 5760259 - Forth Valley College

Report - Student Support Funding

College Name: Forth Valley College

College Contact: Louise Burnett

College Number: 5760259

Phone Number: 01324 403263

1st August 2017 - 31st July 2018

Bursary Funds Expenditure	(AAC 1) Students under 18 Headcount	Expenditure (£)	(AAC 2) Parentally Supported Headcount	Expenditure (£)	(AAC 3) Self Supporting Headcount	Expenditure (£)
Maintenance Costs						
At Parental Home	0	0	335	727001	1	3157
Away from Parental Home	1	283	47	121886	421	1188531
Approved Accomodation or Lodgings	0	0	0	0	0	0
Personal Allowance	0	0	0	0	0	0
Dependents Allowance	0	0	0	0	0	0
Study Expenses	304	21927	224	18111	263	31020
Travel Expenses	384	175875	283	159827	402	233990
Special Educational Needs	0	0	0	0	0	0
Total Bursary	439	198085	388	1026825	497	1456698

	Headcount	Expenditure (£)
Total Bursary Fund Spend (AAC 1+2+3)	1323	2681608

[ESF Students to be included in all tables]

Discretionary Fund & Childcare Fund Expenditure

	Headcount	Expenditure (£)
Total FE Discretionary Fund	237	271469
Total FE Childcare Fund	149	362390
Total HE Childcare Fund *	74	167539

* UHI partner colleges to manually enter data on the CSV version of this report.

Part-time Headcount	Part-time Expenditure (£)	Full-time Headcount	Full-time Expenditure (£)

FE childcare, lone parent	0	0	97	95141
FE childcare, other	0	0	113	267249
HE childcare, lone parent	0	0	43	48041
HE childcare, other	0	0	60	119498

We have examined the books and records of the above college and have obtained such explanations and carried out such tests as we consider necessary.
On the basis of our examination and the explanations given to us, we report that the information set out in these forms is in agreement with the underlying records.
We also report that in our opinion, the college used these funds in accordance with the Scottish Funding Council conditions.
We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate. * Delete if not applicable.

PLEASE RETURN AN ELECTRONIC AND SIGNED PAPER COPY OF THIS FORM TO THE SCOTTISH FUNDING COUNCIL.

Principals Signature [redacted]

Auditors Name (in printed capitals) GARY DEVLIN

Auditors Signature [redacted]

Date of Signature 05/10/18

Scott-Moncrieff
business advisers and accountants

Finance Team
The Student Awards Agency for Scotland
Saughton House
Broomhouse Drive 17
Edinburgh
EH11 3UT

05 October 2018

Our Ref: GJD/SXD

Dear Sirs

Forth Valley College

Please find enclosed a copy of the audited Student Awards Agency for Scotland discretionary fund returns for the 2017/18 academic year for the above college.

We have examined the books and records of the above college and have obtained such explanations and carried out such tests as we considered necessary.

On the basis of our examination and of the explanations given to us, we report that the information set out in the above return is in agreement with the underlying records and in our opinion is in accordance with the relative statutory requirements.

We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate, and that an interest bearing account or accounts was in operation for the Funds which are separate from the Institution's account.

Yours sincerely

[redacted]

Gary Devlin
Partner
gary.devlin@scott-moncrieff.com

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AUDITED FUND ACCOUNTS RETURN 2017/18

Income and Expenditure

INSTITUTION Forth Valley College

	Undergraduate Discretionary Fund £	Postgraduate Discretionary Fund £	TOTAL £
INCOME			
a Initial allocation received for the academic year 2017/18	148,683.00		148,683.00
b Supplementary allocation received in January 2018	-		-
c Bank interest received in the academic year 2017/18	-		-
d Previous year's short -term loans repaid in the academic year 2017/18	-		-
f **Total funds available for disbursement** *(a+b+c+d)=i*	**148,683.00**	**-**	**148,683.00**
Check			
EXPENDITURE			
g Funds disbursed *(=grand total of **k** from Report on Funds Expenditure)*	147,979.50		147,979.50
h Funds to be returned to SAAS by 31 October 2018	703.50		703.50
i **Total disbursement of funds** *(g+h)=f*	**148,683.00**	**-**	**148,683.00**

NAME: (Principal) Dr. K. Thomson **SIGNED:** [redacted] **DATE:** 4.10.18

AUDITOR'S REPORT
We have examined the books and records of the above institution and have obtained such explanations and carried out such tests as we considered necessary. On the basis of our examination and of the explanations given to us we report that *(~~subject to the reservations set out in our letter dated which is attached~~) the information set out above is in agreement with the underlying records and in our opinion is in accordance with the relative statutory requirements. We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate, and that an interest bearing account or accounts was in operation for the Funds which are separate from the Institution's account.

** Delete if not applicable*

APPOINTED AUDITOR: [redacted] **DATE:** 05/10/18

Item 8b

AUDITED FUND ACCOUNTS RETURN 2017/18

Report on Funds Expenditure

INSTITUTION Forth Valley College

	Undergraduate Discretionary Fund		Postgraduate Discretionary Fund		TOTAL
	Full Time	Part Time	Full Time	Part Time	
	£	£	£	£	£
a General living expenses	147,087.00				147,087.00
b Travel					-
c Childcare					-
d Bursary /scholarship					-
e Short-term loans not repaid in the academic year					-
f Disability diagnosis costs					-
g Equipment					-
h Audit	892.50				892.50
i Advertising and publicity					-
j Other administration costs					-
k Total *(= grand total of (g) from the Income & Expenditure accounts return)*	**147,979.50**	**-**	**-**	**-**	**147,979.50**

Check

NAME: (Principal) Dr. K. Thomson

SIGNED: [redacted]

DATE: 4.10.18

Item 8b

AUDITED FUND ACCOUNTS RETURN 2017/18

Report on Student Numbers

INSTITUTION Forth Valley College

	Undergraduate Discretionary Fund		Postgraduate Discretionary Fund		TOTAL
	Full Time	Part Time	Full Time	Part Time	
SUMMARY OF STUDENT NUMBERS					
a Total number of students applying for assistance *(= b+c)*	163				163
b Total number of students assisted	160				160
c Total number of students refused assistance *(= a-b)*	3				3
DETAIL OF STUDENT NUMBERS					
d General living expenses	160				160
e Travel					-
f Childcare					-
g Bursary /scholarship					-
h Short-term loans not repaid in the academic year					-
i Disability diagnosis costs					-
j Equipment					-
SHORT-TERM REPAYABLE LOANS > £500 WRITTEN OFF					
k Number of short-term loans over £500 written off in the year					-
l Monetary value of short-term loans over £500 written off in the year					-

Check

NAME: (Principal) Dr. K. Thomson **SIGNED:** [redacted] **DATE:** 4.10.18.

Please note, a student may be assisted in more than one category therefore the total number of students assisted may not equal the sum of students shown in individual categories.

Scott-Moncrieff
business advisers and accountants

Jane Scott
Scottish Funding Council
Donaldson House
97 Haymarket Terrace
Edinburgh
EH12 5HD

23 October 2018

Our Ref: CHB/SXD

Dear Jane

Forth Valley College – Education Maintenance Allowance Programme 2017/18

Please find enclosed a copy of the above college's audited return and our Auditor's Report for the period from 1 August 2017 to 31 July 2018.

Yours faithfully

[redacted]

Chris Brown
Partner
chris.brown@scott-moncrieff.com

Auditor's Report for EMA returns

Forth Valley College

Auditor's Report to the Scottish Funding Council (SFC) for the period from 1 August 2017 to 31 July 2018.

We have examined the books and records of the above college, including evidence of checks of 5% of applications and payments, with a sample size appropriate to the size of the institution, and have obtained such explanations and carried out such tests as we considered necessary.

On the basis of our examination and of the explanations given to us, we report that the information set out in these forms is in agreement with the underlying records.

We also report that, in our opinion, the college used these funds in accordance with the SFC's conditions and the principles of the Education Maintenance Allowance programme.

We are satisfied that the systems and controls of the administration and disbursement of these funds are adequate.

[redacted]

Chris Brown
Partner
For and on behalf of Scott-Moncrieff

23 October 2018

College: Forth Valley
AY 2017-18

College	Full Time students: No of claims FT	Full Time students: Total maintenance FT	Part Time Students: No of claims PT	Part Time Students: Total maintenance PT	Total Maintenance	Admin Claim (Jan,Feb,July)	Headcount (Oct)	Notes
June 2017	659	£19,770	0	£0	£19,770	£0	0	
July 2017	22	£660	0	£0	£660	£0	0	
August 2017	9	£270	0	£0	£270	£0	0	
September 2017	341	£10,230	0	£0	£10,230	£0	0	
October 2017	553	£16,500	0	£0	£16,500	£0	156	
November 2017	928	£27,840	0	£0	£27,840	£0	0	
December 2017	757	£22,710	0	£0	£22,710	£0	0	
January 2018	298	£8,940	0	£0	£8,940	£960	0	Additional funds for FY 2017-18 based on average claims Feb-Mar 2016 & 2017 less up-front payments for AY 2017-18
February 2018	567	£17,010	0	£0	£17,010	£300	0	
March 2018	921	£27,630	0	£0	£27,630	£0	0	
April 2018	346	£10,380	0	£0	£10,380	£0	0	
May 2018	548	£16,440	0	£0	£16,440	£0	0	
June 2018	908	£27,240	0	£0	£27,240	£0	0	
July 2018	39	£1,170	0	£0	£1,170	£2,970	0	
Totals	6,896	£206,880	0	£0	£206,880	£4,230	156	

College	Maintenance: College Maintenance Adjustment	Maintenance: SubTotal Maintenance (=G+L)	Maintenance: Balance of funds B/f from AY 2016-17 confirmed in year end statement	Maintenance: Funds Remaining after adjustment (= L+O)	Maintenance: Final total of funds to be paid		Maintenance: Upfront Payment 2017-18	Maintenance: Recovery of upfront Payment	Maintenance: Balance to be paid	Total EMA Maintenance	Administration: College Administration Adjustment	Administration: Annual Admin payment to be made 2017	Administration: Total EMA Admin (=O+X+Y)	Total EMA Spend (= V+Z)
June 2017	£0	£19,770	£0		£19,770		£19,000	£0	£0	£38,770	£0	£0	£0	£38,770
July 2017	£0	£660	£0		£660		£0	£0	£0	£660	£0	£0	£0	£660
August 2017	£0	£270	£0		£270		£0	£0	£0	£270	£0	£0	£0	£270
September 2017	£0	£10,230	£0		£10,230		£0	£0	£0	£10,230	£0	£0	£0	£10,230
October 2017	£0	£16,500	£0		£16,500		£0	£0	£0	£16,500	£0	£0	£0	£16,500
November 2017	£0	£27,840	£0		£27,840		£0	£0	£0	£27,840	£0	£0	£0	£27,840
December 2017	£0	£22,710	£0		£22,710		£0	£0	£0	£22,710	£0	£0	£0	£22,710
January 2018	£28,430	£37,370	£47,430		£64,800		£28,430	£0	£0	£37,370	£0	£0	£960	£38,330
February 2018	£0	£17,010	£0		£17,010		£0	-£17,310	£0	-£300	£0	£0	£300	£0
March 2018	£0	£27,630	£0		£27,630		£0	-£27,630	£0	£0	£0	£8,000	£8,000	£8,000
April 2018	£0	£10,380	£0		£10,380		£0	-£2,490	£0	£7,890	£0	£0	£0	£7,890
May 2018	£0	£16,440	£0		£16,440		£0	£0	£0	£16,440	£0	£0	£0	£16,440
June 2018	£0	£27,240	£0	£0	£27,240		£0	£0	£0	£27,240	£0	£0	£0	£27,240
July 2018	£0	£1,170	£0	£0	£0		£0	£0	£0	£1,170	£0	£0	£2,970	£4,140
Totals	£28,430	£235,310	£47,430	£0	£281,570		£47,430	-£47,430	£0	£206,880	£0	£8,000	£12,310	£218,110

£219,310

Payments made to College

Month	Maintenance	Administration	Total	Balance
August 2017	£38,770	£0	£38,770	£0
September 2017	£660	£0	£660	£0
October 2017	£270	£0	£270	£0
November 2017	£10,230	£0	£10,230	£0
December 2017	£16,590	£0	£16,590	£0
January 2018	£27,840	£0	£27,840	£0
February 2018	£22,710	£0	£22,710	£0
March 2018	£37,370	£960	£38,330	£0
April 2018	£0	£0	£0	£0
May 2018	£0	£8,000	£8,000	£0
June 2018	£7,890	£0	£7,890	£0
July 2018	£16,440	£0	£16,440	£0
August 2018	£27,240	£0	£27,240	£0
September 2018	£1,170	£2,970	£4,140	£0
	£207,380	£11,930	£218,310	£0

Upfront payments		Clawback 1 (Feb Claim/Apr Pay)	Clawback 2 (March Claim/May Pay)	Clawback 3 (April Claim)	Total Remaining
AY 2017-18	£19,000				
FY 2017-18 Accrual Payment	£28,430				
		-£17,310			£30,120
			-£27,630		£2,490
				-£2,490	£0
	£47,430	-£17,310	-£27,630	-£2,490	£0

Principal's declaration
I certify that the funds claimed by this college throughout the academic year, as detailed above, have been used in line with the requirements of the EMA programme
I confirm that 5% of applications have been checked for compliance with the programme and are enclosed as evidence in support of this return

Principal's name (please print): DR. K. THOMSON

Principal's signature: [redacted]

Date: 11.10.18

Data to provide an average-based advance allocation for February and March 2018

College	2016 February	2016 March	2017 February	2017 March	Average February	Average March	Combined Feb' & March Averages	Upfront Payments	Combined Averages - Net of Upfront payments
Forth Valley	£21,930	£30,570	£23,730	£18,630	£22,830	£24,600	£47,430	£19,000	£28,430

9. Progress Report on Audit Recommendations
For Discussion

4 December 2018
AUDIT COMMITTEE

Forth Valley College

1. Purpose

To update members on progress with the implementation of recommendations contained within internal and external audit reports.

2. Recommendation

That members note the content of the report and associated appendix.

3. Background

The College monitors progress against internal and external audit recommendations and reports on progress to each meeting of the Audit Committee.

4. Summary of Changes

The current audit recommendations are detailed in full in Appendix 1. The table below represents a summary of the current position of these recommendations as at 22 November 2018.

The dates used to determine whether a recommendation has passed its' implementation date comes from the "Revised Completion Date" column in Appendix 1 attached to this report.

There are 11 recommendations covered in Appendix 1.

Since the last meeting of the Audit Committee, 8 of the 11 recommendations have reached a stage where the College considers them to be complete and we are seeking permission to remove 1 recommendation. Completed or removed recommendations are highlighted in grey in the appendix.

The College is seeking to remove recommendation id 2 as this recommendation has been overtaken by recently changes in the College's international activity.

The College is seeking an extension for recommendation id 1 and appendix 1 contains further information on this.

	Grade 1	Grade 2	Grade 3	Total
Live within date	0	1	0	1
Live recommendation passed implementation date	0	1	0	1
Completed since last report to Committee	0	8	0	8
Seeking removal	0	1	0	1

5. Financial Implications

There are no unexpected financial implications expected. All recommendations made to the College have either no cost (i.e. changes to existing procedures) or have been incorporated into College budget setting processes.

6. Equalities

Assessment in Place? – Yes ☐ No ☒

Monitoring of audit recommendations does not require equalities assessment. Where a recommendation does have an equalities impact through the amendment to policy, each individual policy will be assessed in line with College procedure.

7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Any risk to the College would arise from the failure to implement agreed audit recommendations. Regular monitoring, along with accountability for each recommendation being assigned an SMT and action owner; ensures this does not occur.

Risk Owner – Alison Stewart **Action Owner –** Stephen Jarvie

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ No ☒ **Health and Safety – Yes ☐ No ☒**

Paper Author – Stephen Jarvie **SMT Owner –** Alison Stewart

ID	Audit Name	Date of Audit	SMT Owner	Action Owner	Recommendation	Management Response	Priority	Evaluation	Scheduled Completion Date	Revised Completion Date	Evidence	Completed
1	Non-Pay Expenditures and Creditors	Feb-17	Alison Stewart	Senga McKerr	We support management's plans to review the College's Scheme of Delegation. The revised document should clearly set out current purchasing approval processes and financial authorisation limits.	The College's Scheme of Delegation is currently being reviewed and will be revised to set out the relevant approval processes and authorisation limits. This will be made available to all staff on the public area of the Finance section in SharePoint.	Grade 2 (Operation)	November 2018 - The Board approved a high level Scheme of Delegation in September 18. We plan to update the Operations Scheme of Delegation once staffing has settled in the department. Completion date is requested to be moved to April 19. August 18 - a revised Scheme of Delegation will be considered as part of the Board strategic session on 20/21 September 2018 June 18 - The high level Scheme of Delegation is being drafted and will go to the Sep 18 Board for approval. The Operations Scheme of Delegation is on hold until the Board approval, and will be amended following the change to Directors of Curriculum. Completion dates is requested to be moved to Dec 2018. Nov 17 - Board short life working group being arranged early in 2018 to review scheme of delegation. accordingly, completion date is requested to be moved to end March 2018. August 17 - this has been put on hold until after the Board Effectiveness workshop which will consider delegated authority. May 17 - An initial draft of the template has been prepared and is with the Director of	31/07/2017	30/04/2019		
2	International Strategy and Operations	Sep-17	Alison Stewart	Jennifer Tempany	The College should make arrangements to develop a project review process. The process will allow the performance of projects to be assessed and good and poor practice to be identified, and communicated across the College to help aid future projects. Due to the current international development resource limitations (see 2.1), this process will be particularly valuable in assisting the College to identify and pursue projects that it has a good opportunity of securing	A formal process as part of a new Business Lifecycle will be implemented by the Head of Business Development. This will include the need to review lessons learned from bids/ proposals submitted	Grade 2 (Design)	November 18 - Owing to changes with the Colleges approach to international it is not anticipated that there will be progress against this recommendation and the College is seeking approval to remove this, August 2018 - the BD process is under review by the projects office and the evaluation of risk and review of a project is part of this. June 18 work on this is still to start due to other business priorities taking precedent. Nov 17 - We will devise a process where by projects are evaluated from initial concept through to completion. They will be ranked and evaluated for risk and opportunity to return on investment. The process of end of project evaluation will be included in this.	31/07/2018	31/12/2018		Remove
3	Review of the 2016/17 Credits Return	Sep-17	David Allison	David Allison	Superclass Classification - We recommend that as part of the checks the Student Records team performs over courses during the curriculum planning process, staff complete reasonableness checks over the superclass and price group allocated to ensure courses have been classified appropriately.	Secondary checks of assigned Superclass to courses, involving staff from MIS and Curriculum & Quality, will be established prior to completion of the FES return.	Grade 2	November 18 - Credits Audit report for 2017-18 reviewed this outstanding recommendations from the previous Credits audit, and closed this recommendation. August 2018 - The review has been scheduled for the end of August Jun 18 - A final review of Superclass classifications is planned in August prior to the final FES submission/Credits audit. August is the best time to review Superclass classifications. This will be an annual review prior to FES submission.	30/06/2018	31/08/2018	Credits Audit report	Yes
4	Payroll and Expenses	Mar-18	Alison Stewart	Louise Burnett	Payroll policies and procedures - The College should review the payroll policies and procedures and, where necessary, update them. Given the good working practices and experience within the payroll team at present this is not deemed to be a significant risk.	Polices will be reviewed and updated in line with current practice	Grade 2 (Operation)	November 18 - Complete August 2018 - Owing to required updates to all teaching staff Job References, pension updates and apply staff increments for the August Payroll, we are proposing to revise the completion date of this to 30/11/2018	01/09/2018	30/11/2018	Available from team	Yes
5	Payroll and Expenses	Mar-18	Alison Stewart	Louise Burnett	Standard amendment forms - We recommend that all changes to payroll data are processed using a standard amendments form. This form should document with details of the change to be made and who is authorising the change. The Payroll and Pensions Coordinator should not make any changes to payroll data without this documentation.	Payroll currently receives various requests in a number of ways, for example: an amendment to contract can come through the SharePoint system or as a memo from HR; an acting up allowance usually comes as an email from the SMT member responsible for HR. We will review all of these amendments and ensure that a common process is implemented and clear guidance is provided on the level of authorisation required for each change.	Grade 2 (Design)	November 18 - Complete August 2018 - work on this recommendation has commenced with HR to ensure all relevant information is captured and it is anticipated this will be completed by the end of November 2018	01/08/2018	30/11/2018	Available from team	Yes
6	Payroll and Expenses	Mar-18	Alison Stewart	Louise Burnett	Master-file Change Reports - There is a risk that unauthorised changes are made to the payroll masterfile where an independent periodic check of changes made is not performed. Management should enquire with the software provider to confirm whether a periodic masterfile change report can be run on the payroll system. Each month a report should be generated from the payroll system detailing all the changes that have been to the masterfile in the period, such as changes in personal and bank details etc. This report should be reviewed by an individual independent of making changes to ensure that changes made tie to supporting documentation and are valid.	The College has requested this report from Sage, however when we tried to run it at the time of the audit, it crashed the system. Sage suggested an update but this unfortunately had an impact on our yearend payroll figures. Since this is a business critical time for payroll, we have not pursued this further at the present time. With the current controls within the recruitment approval process there is a low risk of fraudulent employees being added. However we do acknowledge this is an important report and once we have processed the payroll year end, and set up for the new tax year we will work with IT and Sage to resolve the issues with this report.	Grade 2 (Design)	November 18 - Complete August 2018 - SAGE are looking into the issue with the report	01/09/2018	31/11/18	Available from team	Yes
7	Student Experience	Jun-18	Fiona Brown	Helen Young	'Listening to Learners' sessions - Staff should be reminded of the importance of having class representatives leading feedback sessions to ensure students feel comfortable to raise open and constructive feedback. The Quality team should then perform checks to confirm this change has been implemented across the different curriculum areas and teaching units.	- Review current procedure to emphasise that Listening to Learner activity is student led, unless it is deemed inappropriate as a consequence of factors such as capability of class representative, lower level of group or a risk identified where feedback may not reflect that of the group or be of a poor quality. Procedure to be updated by September 2018. - Ensure that procedure in relation to Listening to Learners and the facilitation of these sessions is clearly communicated as part of class representative training, by October 2018 and repeated yearly. - Ensure that procedure in relation to Listening to Learners and the facilitation of these sessions is clearly communicated to Curriculum and Operational managers, by October 2018 and repeated yearly. - Learning and Quality Team to review Listening to Learners feedback with Student Association and Curriculum/Operational Managers, to assess compliance with procedure – this will be an ongoing process.	Grade 2 (Operation)	November 18 - Complete - l Listening to Learners questionnaire has been reviewed to ensure it is meeting the requirements of the EREP and to achieve good, constructive feedback from students. The review of the questions was carried out in conjunction with Students Association. Class representatives have now been trained accordingly in line with a focus on L2L being student led, but with the support of staff where required. This was completed in October 2018. The Quality Manager has been involved in the planning and delivering the training with class representatives to facilitate L2L effectively. With the re launch of the procedure, Curriculum Managers have been reminded that the activity is student led, unless it is deemed inappropriate as a consequence of factors such as capability of class representative, lower level of group or a risk identified where feedback may not reflect that of the group or be of a poor quality. In terms of the review of the feedback gained, this cannot be carried out until L2L has been completed and will be ongoing.	31/10/2018		L&Q documentation	Yes
8	Student Experience	Jun-18	Andrew Lawson	Mhairi Shillinglaw	Hate incidents - We endorse the action already taken by the College to raise awareness of hate crime and the process for reporting and investigating incidents. After a suitable bedding in period, the College should assess whether the hate crime leaflet has had a positive impact on staff and student awareness of the hate incident process. Staff could assess awareness through a college-wide survey or through reviewing whether there has been an increase in the number of incidents recorded. Where no improvement has been noted, the College should explore other mechanisms for raising awareness, such as running brief training sessions for staff and students.	- Ensure all staff receive copy of HIM leaflet; follow up with information in eFocus and highlight where information available on SharePoint and other platforms by mid-September 2018. - Ensure HIM is included within Student Induction via LDWs and on Moodle by mid-August 2018 - Regularly review number of reported hate incidents (ongoing)	Grade 2 (Operation)	November 18 - Complete - Leaflets explaining Hate Incidents and the HIM process were made available to staff, students and visitors in College. Information on HIM and the process was made available to staff online via SharePoint. It was also included in student induction information on Moodle. The Diversity Coordinator and Corporate Governance Officer routinely review complaints and recorded hate incidents.	30/09/2018			Yes

9	Student Experience	Jun-18	Andrew Lawson	Mhairi Shillinglaw	Hate incident reporting - We understand only four hate incidents have been recorded since January 2017. Management should, however, consider whether internal reporting on hate incidents would be beneficial. Reporting could occur on an annual basis or more frequently if the level of reported incidents rises. Reporting could include: - The number of incidents reported, including where no incidents have occurred. This could be used to demonstrate a potential lack of engagement with the hate incident process and be informed by statistics from the Central Scotland Regional Equality Council to compare the level of incidents reported within the College in comparison to other bodies within the area. - Details of the incidents that have been reported, including how those incidents have been addressed. - Trend analysis of the type of incidents experienced to identify systemic issues and potential improvements (where the number of reported incidents increases).	- Consider feasibility of curriculum areas recording 'low-level' incidents which do not result in formal action being taken - Review examples where formal (disciplinary) action is underway as to whether incident should be logged as a hate incident - Set up a regular reporting process for Hate Incident and associated information to go to SMT	Grade 2 (Design)	November 18 - Complete - The HIM log was amended to enable accurate recording of information on how incidents have been addressed, to allow for trend analysis to take place. Reports will go to SMT twice a year on HIM regardless of the number of reported incidents, with information on regional data to highlight that lack of reporting is not an indication that there is no problem. Update for AY 2018/19 will be in June 2019. At end of AY 2018/19, student disciplinary information will be reviewed to identify unreported hate incidents.	30/09/2018			Yes
10	GDPR Compliance	Aug-18	David Allison	Donald MacLean	GDPR Task List - We recommend that a workplan is created which records remaining tasks and activities that are necessary to support compliance with the GDPR. Once this document is produced, management should quantify resource requirements for each task and agree a target completion date. Consideration should be given to prioritising activities to minimise the risk of non-compliance. Progress against the work plan should be subject to regular management review to confirm that tasks and activities are being completed in line with expectations.	A GDPR workplan has been drafted by the College's Data Protection Officer, which will be agreed by the newly formed Information Governance Group. This workplan will be monitored by the group on a quarterly basis.	Grade 2 (Design)	November 18 - Complete	30/09/2018		task list	Yes
11	GDPR Compliance	Aug-18	David Allison	Laura Calder	Data Inventories - We recommend that Management agrees a timescale for academic departments to complete data flows and data inventories. The timescales and resources required to complete this work should be included in the work plan recommended	Initial meetings have taken place with all teaching Departments where any personal data stored outwith core systems has been captured, and any risks identified. The task of documenting data flows and populating our data inventory will be included as work outstanding within the GDPR Workplan.	Grade 2 (Operation)	November 2018 - continuing to meet with Academic departments and updating Information Asset Register. As part of the process working with departments to look at creating a departmental Document Retention Guide. Rob McDermott is in discussion with cross sector working group looking at a standardised retention guide for student assessment material which will provide appropriate guidance for departments.	31/03/2019			

Forth Valley College

10. Risk Management
For Discussion

4 December 2018
AUDIT COMMITTEE

1. Purpose

To present members with the new Strategic Risk Register for the College.

2. Recommendation

That members note the content of the register attached to this paper and the actions taken to date.

3. Background

In line with the College's Risk Management Policy and Procedure, the College maintains a strategic risk register document. This register is presented to each meeting of the Audit Committee to highlight those risks which have been identified as having a strategic impact on the College.

Risks can be added to the register either by members of the Senior Management Team or by any Committee of the Board or the full Board of Management.

Audit Committee members review the register and, for items of particular concern, the Chair can raise these with the full Board of Management. The register is also presented to the full Board of Management on an annual basis.

4. Changes to the Risk Register

At the Board Strategic Session in September 2018, Board members identified a number of areas which they considered to be the key risks to the College. SMT met to discuss these areas, noting the mitigating actions that were in place for each of the risks and scoring each of the risks in the attached register.

5. Financial Implications

Financial implications for relevant risks are outlined in the attached Strategic Risk Register.

6. Equalities

Assessment in Place? – Yes ☐ No ☒

If No, please explain why – The Strategic Risk Register document does not require equalities impact assessment. Individual risks may result in Equalities assessments being completed for new/revised College policies and procedures.

7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Risk continues to be comprehensively managed and reviewed across the College on an ongoing basis.

Risk Owner – Ken Thomson

Action Owner – Ken Thomson

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ **No** ☒

Health and Safety – Yes ☐ **No** ☒

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Ken Thomson

Forth Valley College Strategic Risk Register

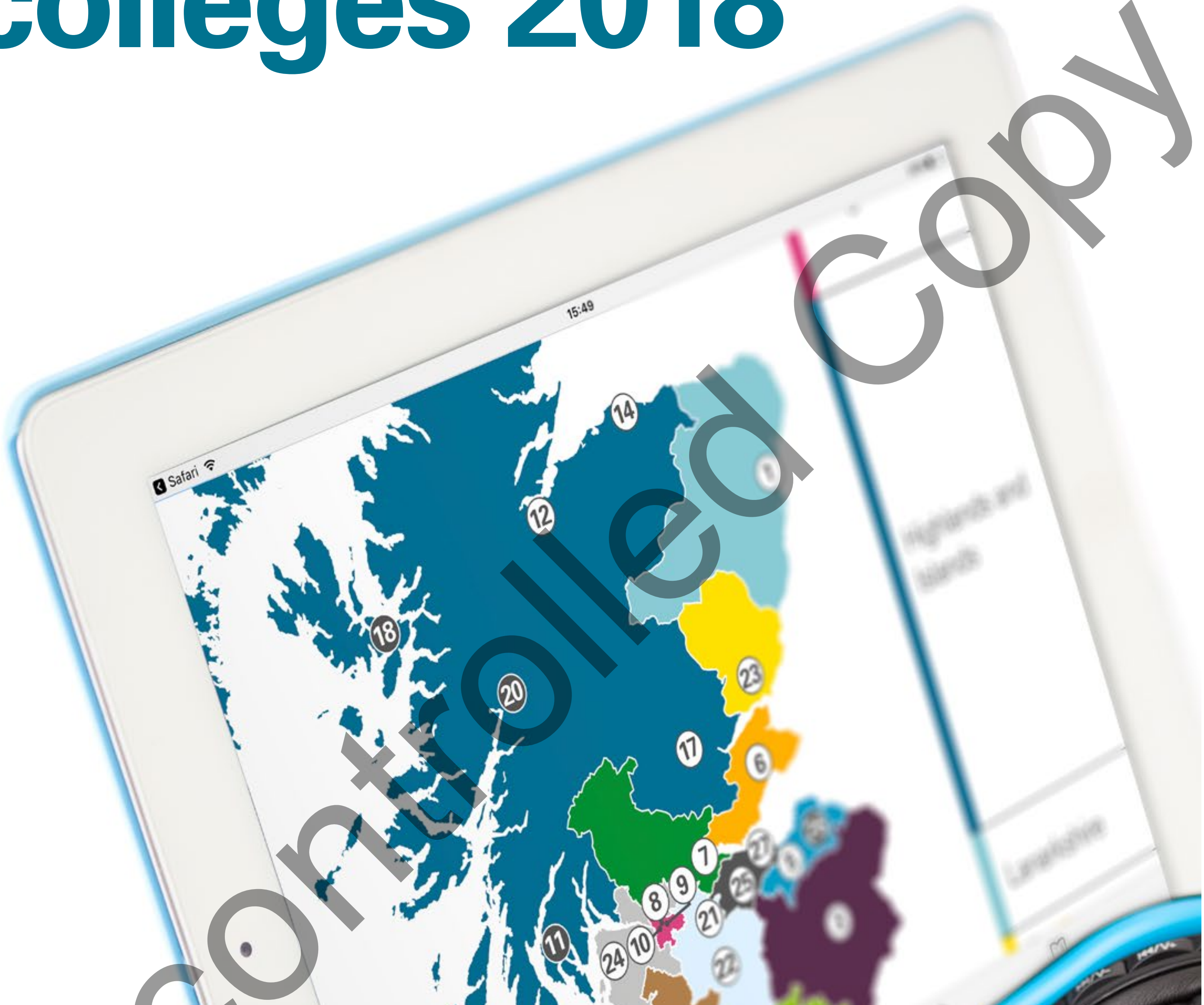
Risk Management and Mitigation					Owners			Initial Risk Score			Score After Mitigation				
No	There is a real or perceived risk that…	Potential Consequences	Mitigating Actions	Actions/Progress to Date	Board Committee	SMT Risk Owner	Action Owner	Likelihood	Impact	Risk Score	Likelihood	Impact	Risk Score	Change to score since last meeting	Date Added and Date Score Updated
1	There is insufficient funding from Scottish Government/SFC to support the core activities of the College	- Inability to deliver high quality learning - Inability to react to changing economic and local environment - Inability to maintain College infrastructure - Impact on College performance indicators	- Principal and Chair represented on sector groups to lobby SFC/Scottish Government - Vice Principal Finance and Corporate Affairs member of SFC new funding model group - Business Development strategy to increase commercial income being developed by Director of Business Development	Nov 18 - work ongoing	B	P	VPFACA	VH	VH	25	VH	VH	25		
2	Employers pension contributions to the Scottish Teachers Pension Scheme could increase by 5.2% from April 2019	- Additional cost of approx £500k per annum	- Scottish Government in discussion with UK Treasury - Working with Colleges Scotland to lobby Scottish Government for additional funding	Nov 18 - awaiting outcome of discussions with Scottish Government	F	P	VPFACA	VH	M	15	VH	M	15		
3	Delays to completion and/or issues with the transition process to the new Falkirk Campus (e.g. as a result of adverse weather/impact of Brexit on supply chain)	- Impact on student experience and success - Potential increase in costs - Reputational damage	- EEG and FCPB monitoring progress - Development of migration strategy - Communications with stakeholders to manage expectations	Nov 18 - Actions being planned as per mitigating actions	FCPB	P	DPCOO	H	H	16	M	H	12		
4	National Bargaining process will negatively impact on the College	- Unaffordable pay awards - Potential strike action which could impact on the Student experience and meeting commercial contracts - 'No Detriment' restricts options for FVC compared to sector	- Chair and DPCOO represent the College on the Employers Association - Communication with staff, students and other users - Force Majeure clauses in commercial contracts to mitigate impact of strike action	Nov 18 - We continue to be actively involved in this process which allows us to keep on track with potential changes and able to work through the implication quickly and effectively	B	P	DPCOO	H	H	16	H	M	12		
6	The College will fail to deliver the Outcome Agreement	- Reputational damage - Potential clawback of funding and risk of reduction in credits allocated to the College	- Ongoing monitoring of performance against targets by new Leadership Team - Targets cascaded to Directors with accountability	Nov 18 - Additional monitoring reports being built for Department teams to allow granular monitoring of targets.	LSE	P	VPISC	M	VH	15	L	VH	10		
7	The student experience fails to meet student expectations	- Reputational risk - Current/Potential students choose another College/Learning provider - Impact on College meeting credit and PI targets	- Listening to Learners - Ensuring relevance of courses through robust curriculum review - Robust evaluation processes at all levels - Student support systems in place and effective - Deliver on Creative Learning and Technologies Strategy	Nov 18 - Actions in Evaluative Report and Enhancement Plan 2017-2018 to address areas where student success PIs are lower than target and to review and enhance student support arrangements; objectives and targets for delivery of year 2 of CLT Strategy in College Operational Plan 2018-2019.	LSE	P	VPLQ	M	VH	15	L	VH	10		
8	The College is adversely impacted by a cyber attack.	- Reputational risk - Impact on learning & teaching - Impact on key services	- Up to date firewall, and cyber protection through Jisc - Regular security patching - Full nightly backups and hourly snapshots to minimise disruption in the event of the need to restore data - Up to date anti-virus and malware software - Scanning and monitoring of all external drives - Resilience through additional connections to outside world - Documented and tested business continuity plan	Nov 18 - Cyber Essentials accreditation secured, Member of National Cyber Security Information Sharing Partnership	A	P	VPISC	M	VH	15	L	VH	10		
9	Loss of key staff will impact on College operations	- Loss of knowledge, experience and links within the Sector and to employers etc	- People Strategy - Succession Planning - Talent Management Programme in place - Directors in post	Nov 18 - First cohort of staff now on Talent Management programme. Effective TNA in place in all departments. Talent Management programme for first time managers ready to roll out	HR	DPCOO	DPCOO	H	M	12	H	L	8		
5	International activity will not meet operational/financial targets	- Shortfall in College budget - Consideration of future of International Strategy	- Review of activity levels and international strategy - Look at potential of delivering international activity at a sector level	Nov 18 - International team has now been disbanded. Full year target will be met due to savings in salary cost. New international opportunity currently being explored.	F	VPFACA	DBD	H	M	12	L	M	6		

For Information

Strategic Area	External Assurance	Internal Assurance
Creating a superb environment for learning	SERVEST Statutory Compliance e.g. Fire equipment, smoke detectors	Health and Safety Team Schedule of Reviews
	Insurance Reviews	Sustainability Committee
	Project Manager reports to FCPB	Health and Committee
Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly	Reviews by External Awarding Bodies e.g. SQA, ECITB, City & Guilds, NEBOSH/IOSH	Internal Verification
	Education Scotland Scrutiny	Evaluative Report and Enhancement Plan for Education Scotland and SFC
		Listening to Learners, Student Council feedback, Student Early Experience Survey National Student Satisfaction Survey
Instilling an energy and passion for our people, celebrating success and innovation	Equal Pay Audits	Liaison with College Lawyers
	PVG system for Staff Participate in HR cop	Listing to Employees/People Strategy
		Staff Cultural Surveys
Leading as a champion for governance, an organisational pathfinder, balanced risk taker, proactive and responsive	APUC for procurement	Board Register of Interests/Annual Governance Report In College Accounts
	Internal and External Audit	Quarterly Reports to Scottish Information Commissioner on FOI
	HMRC Payroll inspection	Business Continuity Plan testing
Enhancing our position as the business and community partner of choice	Reviews by External Awarding Bodies e.g. SDS, ECITB, City & Guilds, NEBOSH/IOSH PAA-VQSET, EAL, CIPD, BPEC, CompEx	Business Development Process
	SDS Audit of MA Provision	
Delivering a whole system approach. Simply effective, efficient and consistent	Reviews by External Awarding Bodies e.g. SQA, ECITB, City & Guilds, NEBOSH/IOSH	Review of Disaster Recovery/Backups and Testing
	Annual Internal Audit of Credits	Statutory Compliance Testing
	Penetration Testing of Systems	

For Information

Scotland's colleges 2018



AUDITOR GENERAL

Prepared by Audit Scotland
June 2018

Auditor General for Scotland

The Auditor General's role is to:

- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
- check whether they achieve value for money.

The Auditor General is independent and reports to the Scottish Parliament on the performance of:

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- NHS bodies
- further education colleges
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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents

Audit team

The core audit team consisted of: Mark MacPherson, Mark McCabe, Fiona Diggle, Angus Brown, Gemma McNally and Sanya Ahmed, with support from other colleagues and under the direction of Angela Canning.

Links

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Web link

Key facts

Colleges in Scotland
26

Students studying at college in 2016-17
235,737

Overall student satisfaction in 2016-17
90.2 per cent

Amount spent by the 20 incorporated colleges in 2016-17
£728 million

Real-terms increase in Scottish Government funding between 2016/17 and 2018/19
10.4 per cent

Estimated additional annual cost of national bargaining from 2019-20
£50 million

Estimated total cost of backlog of repairs and maintenance in the college sector
£360 million

Summary

Key messages

1 The college sector's underlying financial position improved in 2016-17, but several colleges face significant financial challenges. Scotland's 20 incorporated colleges reported an overall underlying financial surplus for 2016-17 of £0.3 million. This compares to an underlying deficit of £8 million in 2015-16. Across the sector, the cash held by colleges increased by 13 per cent in 2016-17 and the net value of their assets – such as land and property, compared against financial liabilities such as pension costs – grew by ten per cent. However, these sector-wide increases mask significant variations between colleges.

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 million a year from 2019-20. 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 2019-20, when the costs will increase most significantly.

the sector's underlying financial position improved and learning targets were exceeded

3 The Scottish Funding Council's (SFC'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 million. The SFC is providing £27 million of capital funding to colleges in 2018-19 to cover the very high priority needs identified in the condition survey.

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 SFC and colleges are working to address this from 2018.

5 The college sector exceeded its targets for learning activity and full-time equivalent student places in 2016-17. Student numbers increased by around four per cent, with most of the increase being students in part-time learning, particularly those under 16 years of age. At least 82.7 per cent 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 per cent and improved slightly compared to last year.

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.

7 Colleges have made notable progress in addressing the large gender imbalance on engineering courses but have had less success in other courses. The SFC shares good practice as part of its gender action plan and expects to see more progress from 2017-18 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.

8 The regional strategic bodies (RSBs) 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 (UHI) 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 (GCRB) 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.

Key recommendations

The Scottish Government and the SFC should:

- publish the criteria within the Infrastructure Strategy for prioritising capital investment in the college sector (paragraph 27)
- 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 reduce the gap (paragraph 53)
- assess and report publicly on the extent to which the regional strategic bodies are meeting the aims of regionalisation in multi-college regions (paragraphs 69–83).

The SFC should:

- revise its accounts direction to ensure colleges calculate their underlying financial position consistently (paragraph 9)
- progress its work with colleges to improve common assumptions for future financial forecasting returns, including clarifying when departing from the assumptions would be justified (paragraph 31)

- determine what other actions are required to tackle the greatest gender imbalances in subjects to deliver its gender action plan (paragraph 60)
- agree with regional strategic bodies in multi-college regions the most appropriate way of collecting information on college activities and clarify both why and when it needs to engage with, or collect information from, assigned colleges (paragraph 84).

Colleges should:

- work with the SFC to further develop their approach to long-term financial forecasting (paragraph 31)
- focus on reducing the attainment gap and improving student performance (paragraph 53)
- where appropriate, examine opportunities for getting a better gender balance on their boards to meet new statutory targets (paragraph 61).

GCRB and its assigned colleges should:

- address concerns among senior staff and college board members about its role to further improve collaborative working across the region (paragraph 78).

The Lanarkshire Board should:

- develop a clear plan for improving collaborative working across the region (paragraph 83).

Background

1. This report provides an overview of the college sector in Scotland. It gives an update on college finances and analyses learning activity. We have set out our methodology in Appendix 1. Our previous reports have commented on:[1]

- the sector's ability to meet the national target for learning
- the changes that have taken place in the sector in recent years including regionalisation, college mergers and reclassifying colleges as public bodies.

2. Scotland's colleges play an important role in helping to achieve sustainable economic growth by developing a highly educated and skilled workforce. In 2016-17, there were 235,737 students. Colleges are the main providers of further education (FE) in Scotland. They also provide a significant amount of higher education (HE), with around 47,937 students (around 20 per cent) studying at HE level at college in 2016-17.

3. The college sector in Scotland comprises 20 incorporated colleges and six non-incorporated colleges, organised into 13 college regions (Appendix 2).[2] Ten of these regions consist of one college. The three remaining regions (Glasgow, Highlands and Islands, and Lanarkshire) have more than one college. The individual colleges in Glasgow and in Highlands and Islands are assigned to the relevant regional strategic body, ie Glasgow Colleges' Regional Board (GCRB) or University of Highlands and Islands (UHI). In Lanarkshire, New College Lanarkshire is the regional body and South Lanarkshire College is assigned to the Lanarkshire Board.

4. In this report we look at all colleges in the sector and Scotland's Rural College (SRUC), to present a comprehensive picture of the sector and its performance. In Part 1 of this report, How Scotland's colleges are managing their finances, we focus on incorporated colleges, as non-incorporated colleges are not subject to the same requirements as incorporated colleges (as public bodies). In Part 2, How Scotland's colleges are performing, the participation data used excludes information about students studying higher education through UHI or SRUC.

5. Colleges prepare their accounts based on the academic year (1 August to 31 July).[3] This differs from the Scottish Government's financial year, which runs from 1 April to 31 March. We use the following conventions in this report:

- 2016-17 when referring to figures from colleges' accounts, or figures relating to the academic year
- 2016/17 when referring to funding allocations made in the Scottish Government's financial year.

6. Financial figures in real terms are adjusted for inflation. The base year for this report is 2016-17. The GDP deflator provides a measure of general inflation in the domestic economy. We have used the GDP deflator from December 2017 to calculate the real-terms figures for other years.[4]

7. Where appropriate, our report draws on separate reports by the Auditor General for Scotland (section 22 reports) on *Edinburgh College* and *New College Lanarkshire* that were published in April 2018.

Part 1

How Scotland's colleges are managing their finances

Key messages

1 The overall financial position of the college sector has improved since last year. The 20 incorporated colleges reported an overall underlying financial surplus of £0.3 million for 2016-17. This compares to an underlying deficit of £8 million in 2015-16. Individual college financial positions varied. Five incorporated colleges had an underlying deficit in 2016-17, compared with 11 in 2015-16. Scotland's six non-incorporated colleges reported an overall underlying surplus of £249,000 in 2016-17, with no college having an underlying deficit.

2 The Scottish Funding Council (SFC) first required colleges to include their underlying financial position in their accounts in 2016-17. Individual colleges have interpreted the SFC's accounts direction differently, making it difficult to compare the financial positions of different colleges.

3 Net assets increased by ten per cent (to £230 million). The level of cash held across the sector increased by 13 per cent (to £49 million). Despite the overall increase in cash held, nine colleges held less cash than last year. This means they have less flexibility to meet unanticipated changes in income or expenditure. Some colleges face particular financial challenges.

4 The Scottish Government has provided revenue funding to the college sector of £570.7 million in 2018/19, a real-terms increase of five per cent on 2016/17. Most of this is to meet increased costs associated with national bargaining. Colleges Scotland has estimated the total cost of harmonisation as £50 million a year from 2019/20. This would absorb all the Scottish Government's projected savings from college reform.

5 Colleges now prepare six-year financial forecasts. 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 SFC and colleges are working to address this from 2018.

6 The SFC'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 million. The SFC is providing £27 million of capital funding in 2018-19 to address very high priority repairs and maintenance.

the estimated additional annual cost of harmonising pay and other conditions would absorb the projected savings from college reform

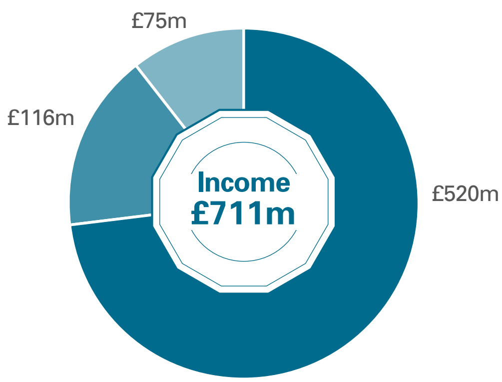
Colleges' underlying financial position improved in 2016-17

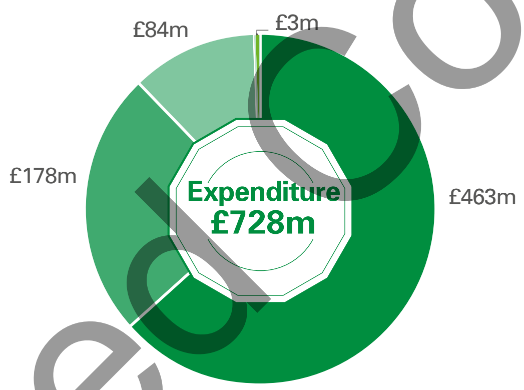
8. Incorporated colleges had income of £711 million, and expenditure of £728 million, in 2016-17. The main areas of income and expenditure (and changes from 2015-16) are presented in Exhibit 1.

Exhibit 1

Income and expenditure for incorporated colleges 2016-17

Colleges had income of £711 million and expenditure of £728 million.





- SFC income (up 6% from 2015-16)
- Tuition fees/contracts (down 3% from 2015-16)
- Other income, including research grants and investment income (up 10% from 2015-16) and donations and endowments, inc funding from arm's length foundations (ALFs) (down 71% from 2015-16, due to large changes at individual colleges)

- Staff costs including exceptional staff costs[1] (up 1% from 2015-16)
- Other operating expenses including exceptional costs (down 3% from 2015-16)
- Depreciation/interest/other finance (up 26% from 2015-16, mainly due to depreciation on new assets)
- Donations to ALFs (no donations made to ALFs in 2015-16)

Note: 1. Exceptional staff costs include severance payments.

Source: College accounts

9. For 2016-17, the SFC required incorporated colleges to include a calculation of their underlying financial position in their accounts. Colleges did not all interpret the SFC's guidance consistently. This required further work by the SFC to calculate an underlying financial position. The SFC is working to improve the direction for 2017-18.

10. Incorporated colleges had an underlying surplus of £0.3 million in 2016-17. This is an improvement on the £8 million underlying deficit we reported for 2015-16 (Exhibit 2, page 11).

11. The six non-incorporated colleges recorded an underlying surplus of £249,000 in 2016-17, compared to £69,000 in 2015-16. Information for incorporated and non-incorporated colleges is not directly comparable.

Exhibit 2
College sector financial performance 2014-15 to 2016-17

Incorporated colleges reported an underlying financial surplus in 2016-17.

	2014-15 (£m)	2015-16 (£m)	2016-17 (£m)
Sector underlying surplus or (deficit)	1	(8)	0.3
Number of colleges with an underlying deficit	7	11	5

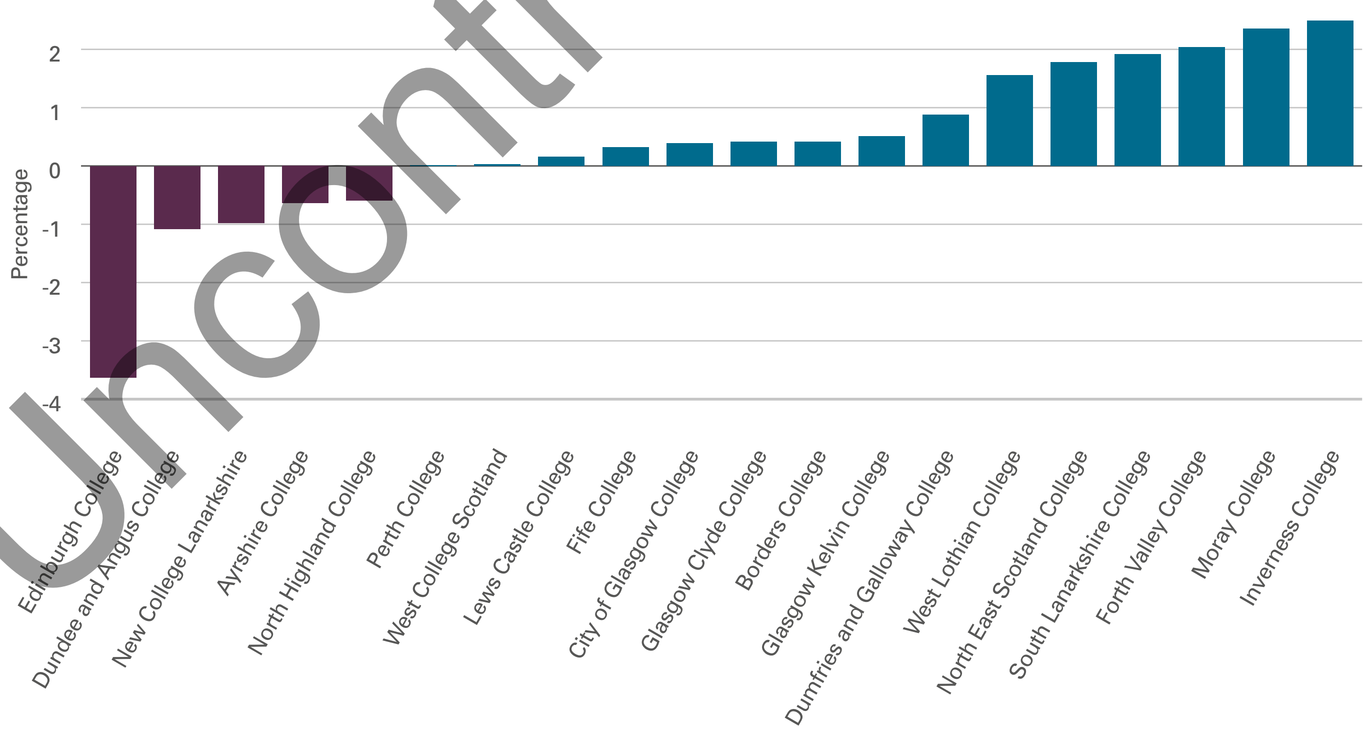
Note: Analysis does not include Scotland's six non-incorporated colleges.

Source: College accounts

12. Five incorporated colleges had an underlying deficit in 2016-17, compared with 11 in 2015-16. Financial positions varied from a surplus of £0.9 million at North East Scotland College to a deficit of £2.5 million at Edinburgh College. Exhibit 3 shows individual college underlying deficits and surpluses as a percentage of their annual expenditure.

Exhibit 3
Underlying deficits and surpluses as a percentage of expenditure, 2016-17

The underlying financial position of incorporated colleges varies.



Source: College accounts and SFC

Total cash held in the sector increased in 2016-17 but almost half of all colleges held less cash

13. Incorporated colleges held £49.2 million in cash in 2016-17, an increase of £5.5 million (13 per cent) from 2015-16 (Exhibit 4). While the overall cash held by the sector increased, the amounts each college held vary significantly:

- Eleven colleges increased their cash balances by a total of £11.2 million in 2016-17. Four colleges accounted for £8.5 million (76 per cent) of this increase: City of Glasgow, Edinburgh, Forth Valley and North East Scotland colleges. The SFC has indicated that some colleges are holding cash to repay loans in future.

- Cash balances decreased in nine colleges, by a total of £5.7 million. This means these colleges have less flexibility to meet unanticipated future expenditure or reductions in income.

Exhibit 4

College sector financial performance 2014-15 to 2016-17

Cash balances and net assets across the sector both increased in 2016-17.

	2014-15 (£m)	2015-16 (£m)	2016-17 (£m)
Cash balances	55	43.7	49.2
Net assets	255	209	230
Number of colleges in a net liabilities position	3	5	5

Source: College accounts

Net assets increased by around ten per cent in 2016-17

14. Comparing the value of the assets an organisation holds against its financial liabilities – its net asset or liabilities position – provides an indicator of financial health. The sector's net asset position has improved by around ten per cent compared to 2015-16 (Exhibit 4). However, this does not reflect the significant variation across colleges:

- Glasgow Clyde College accounts for the vast majority of the sector-wide increase in the net value of assets. Its net asset position increased by around £20 million to £58 million. This was the result of the value of its land and buildings significantly increasing.

- Five colleges reported a net liability position in 2016-17: Borders, Forth Valley, Inverness, North Highland and West Lothian. These colleges also reported a net liability position in 2015-16. In 2016-17, the level of liability remained relatively unchanged in three of these colleges. North Highland College's liability more than halved, from £5.5 million to £2.4 million as a result of asset revaluations. Forth Valley College's liability increased significantly to £17 million due to significant devaluations of its existing assets. This will change as the college builds its new Falkirk campus.

The funds held by arm's-length foundations (ALFs) fell again in 2016-17

15. Colleges can apply for funds from arm's-length foundations (ALFs). These are independent, charitable bodies that were set up when colleges were reclassified as public bodies and could no longer retain significant cash reserves. Colleges donate money into ALFs and can also apply to ALFs for funding. Other organisations can also donate to, and apply for funding from, ALFs. ALFs held £57 million in 2016 and £50 million in 2017.

16. Two colleges transferred a total of £3.4 million into ALFs in 2016-17. Eight colleges received grants totalling £15.1 million from ALFs in 2016-17, mainly to improve their buildings and other parts of their estate. Nine colleges propose to apply for around £8 million of ALF funding in 2017-18. The biggest planned use of ALF funding is at Glasgow Clyde College. The college plans to use over £10 million over the next five years, mainly for estate improvements. The other two Glasgow colleges plan to use ALF funding for estates projects in 2017-18. Glasgow Kelvin College plans to spend £2 million and City of Glasgow College £1.1 million. Some ALFs have very little funds left and others have never had significant funds donated to them.

17. The Scottish Government is considering how the sector might best continue to use ALFs to help with long-term financial planning and future investment decisions.

There was little change in staff costs and numbers in 2016-17

18. Colleges continue to spend most of their money on staff. Staff costs and numbers remained relatively unchanged in 2016-17. Staff costs rose by £14 million to £457 million (Exhibit 5, page 14).[5] Total full-time equivalent (FTE) staff numbers decreased by 75 (0.7 per cent) to 10,850:

- Teaching staff decreased by 56 (0.8 per cent)
- Non-teaching staff decreased by 19 (0.5 per cent).

19. In 2016-17, 162 staff left incorporated colleges through voluntary severance at a total cost of £3.6 million. Of these, 81 were from Edinburgh College. Auditors reported that severances were subject to appropriate approval and in line with the existing severance schemes approved by the SFC.

The Scottish Government has announced further real-terms increases in revenue funding in 2018/19

20. The Scottish Government's revenue funding for the college sector for 2018/19 is £570.7 million. This represents a real-terms increase of £28 million (five per cent) in the revenue budget from 2016/17 (Exhibit 6, page 14). This is the highest real-terms settlement in the last five years.

Exhibit 5

Staff costs and numbers 2015-16 to 2016-17

Staff numbers fell slightly and staff costs increased slightly in 2016-17.

	2015-16	2016-17
Staff numbers (FTE)	10,925	10,850
Staff costs (£m)	442	457
Total expenditure (£m)	692	728
Staff costs as percentage of total spend	64	63
Exceptional staff costs (£m)[1]	7	6
Exceptional staff costs as percentage of staff costs	2	1

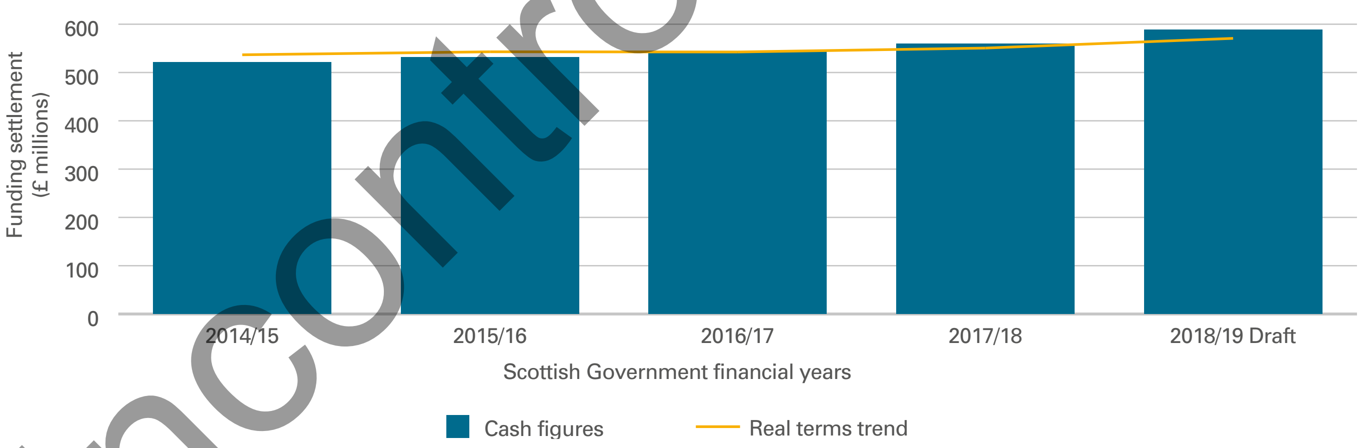
Note: 1. Exceptional staff costs include severance costs.

Source: College accounts

Exhibit 6

Scottish Government revenue funding to the college sector 2014/15 to 2018/19

The Scottish Government has increased funding for colleges in real terms each year.



Notes:
1. The above allocations do not include additional amounts provided to the college sector to support NPD unitary charges (£6 million in 2015/16; £24 million in 2016/17; £29 million in 2017/18; and £28 million in 2018/19, all in real terms).
2. Between 2014/15 and 2016/17, the Scottish Government has made in-year adjustments to transfer an element of the capital allocation to revenue (£12 million in 2014/15; £10 million in 2015/16; £17 million in 2016/17, all in real terms). We have not incorporated these changes in the exhibit.

Source: Scottish Government

21. The Scottish Government has agreed to pay for the additional costs of the national bargaining agreement up to the end of 2018-19. This excludes cost-of-living increases. This accounts for most of the increased funding for 2018-19. The Scottish Government has yet to indicate how costs associated with national bargaining will be funded beyond 2018-19. Colleges Scotland estimates that changes to pay and terms and conditions from national bargaining will cost about £50 million each year from 2019-20. This would absorb all the £50 million of annual financial savings that the Scottish Government and SFC expected the reform programme to deliver from 2015-16.

22. The SFC allocated £409 million to colleges for teaching in 2017-18. It is also allocating £455 million in 2018-19, an increase of £46 million (ten per cent). This increase reflects additional teaching costs and associated funding as a result of national bargaining.

Despite the improved financial position in 2016-17, colleges continue to face significant financial challenges

23. Several colleges currently face significant financial challenges:

New College Lanarkshire

- Last year, we reported that New College Lanarkshire (NCL) had experienced cash flow difficulties during 2015-16. Those difficulties continued into 2016-17 and the Auditor General published a separate report, under section 22 of the Public Finance and Accountability (Scotland) Act 2000, in April 2018. The report noted that the college received an advance of £1.9 million from the SFC in July 2017 (subsequently deducted from its 2017-18 funding allocation), as well as specific, one-off funding of £1.1 million between November 2017 and February 2018 to run a voluntary severance scheme (not repayable). The college made savings of £2 million during 2016-17 and reported an underlying deficit of £560,000 (equivalent to one per cent of income). It is working with the SFC to deliver a plan intended to return it to financial sustainability. The latest draft of the plan indicates the college will report an underlying operating surplus in 2019-20.

Edinburgh College

- Edinburgh College received £2.9 million of financial support from the SFC in 2016-17 that it will have to repay. It had an underlying deficit of £2.5 million in 2016-17 (equivalent to around four per cent of income). While the college still needs to deliver some aspects of its plan to return to financial stability, it has made good progress and its deficit for 2016-17 was below its original estimate of £3.8 million. The Auditor General published a separate statutory report on progress at Edinburgh College in April 2018.

Ayrshire College

- The college had forecast a net surplus each year between 2013-14 and 2017-18. However, increased staff costs have resulted in the college experiencing financial deficits, which it has covered to date by using cash reserves.

- The college has indicated that ongoing PFI costs are contributing to its financial challenges. As part of the merger that created Ayrshire College, the college inherited a Private Finance Initiative (PFI) scheme from the former James Watt College for its Kilwinning campus. The 25-year PFI scheme started in 1999-2000, with annual payments of £2.1 million until 2024-25. The PFI costs equate to around four per cent of the college's annual expenditure.

- Ayrshire College identified that making the annual payments was a financial risk at the point of merger. The college has indicated that it will find it difficult to meet the ongoing PFI costs. While the Scottish Government agreed that the college could use money raised from selling land towards the PFI costs in 2018-19, there is currently no further funding commitment from the Scottish Government or the SFC.

- The college is considering other options for meeting the PFI costs as part of its overall expenditure.

UHI incorporated colleges

- Last year, we reported that Lews Castle College had not met its learning activity targets over an extended period. This could have resulted in both a reduced level of funding and the SFC recovering funding for activity the college did not deliver. UHI, as the regional strategic body, has since agreed a reduced target and funding with the college. Despite this change, at June 2017, the college was still forecasting deficits for the next five years. As explained in paragraph 30, colleges' most recent forecasts in July 2017 do not reliably reflect current financial positions or the challenges now facing the sector.

- Last year, Moray College had to urgently draw down an advance on its funding allocation from UHI as it did not have enough money to meet its operational costs in 2015-16. The auditor concluded that the current financial position was not sustainable and that the college needed to take action to achieve financial balance. The college implemented an improvement plan and reported an improving financial position in 2016-17 with:

  - a lower operating deficit
  - an underlying surplus
  - increased cash
  - lower net current liabilities.

- The appointed auditor concluded that achieving financial sustainability represents a significant challenge for North Highland College. It reported a £523,000 deficit in 2016-17 and is forecasting a deficit of £857,000 for 2017-18. College management is of the view that the current arrangements will become unsustainable without significant changes, and has recommended that the college board considers steps to ensure it remains financially sustainable. The college will continue to require financial support from UHI to manage its ongoing financial pressures.

- UHI has started to look at the potential for greater integration between four of its five incorporated colleges during 2018 (not currently including Perth College). The aim is to improve joint working, education and the sustainability of their financial positions in the medium to longer term.

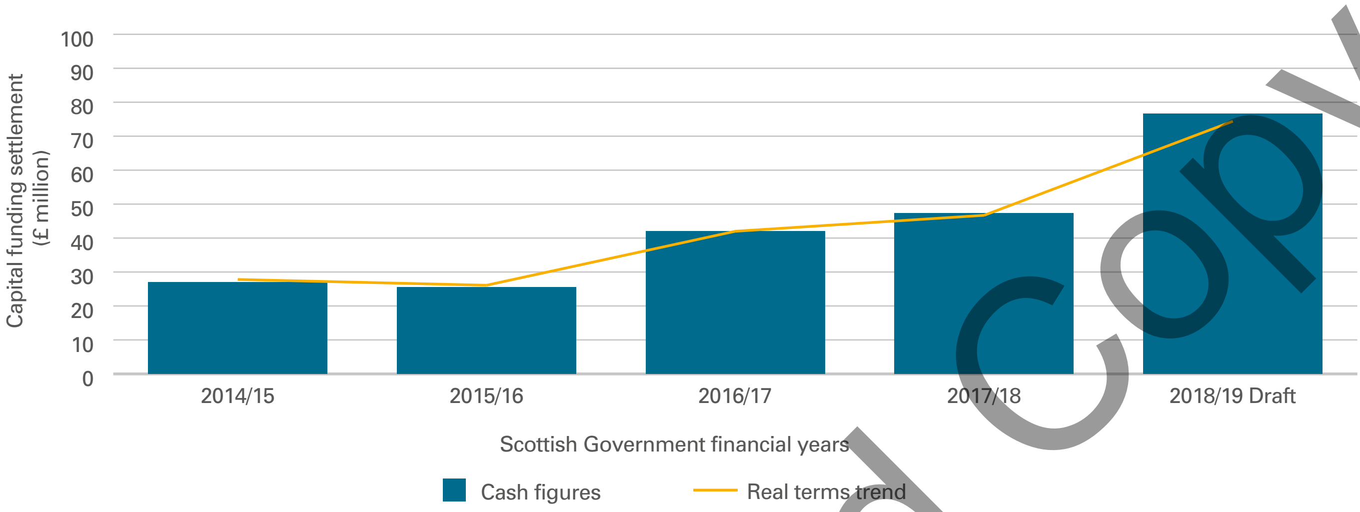
College estates require urgent and significant investment

24. In 2018/19, the Scottish Government has allocated colleges £74.4 million of capital funding to spend on things such as improving buildings and buying new equipment (Exhibit 7, page 17). This represents a real-terms increase of £32 million (77 per cent) on 2016/17. Of the 2018/19 capital allocation, almost £42 million is funding for Forth Valley College's new campus at Falkirk. The remainder has been allocated to meet lifecycle maintenance costs and high-priority backlog repairs.

Exhibit 7

Scottish Government capital funding to the college sector 2014/15 to 2018/19

The Scottish Government has increased capital funding for colleges in real terms.



Source: Scottish Government

25. In December 2017, the SFC published its college sector estates condition survey. This identified a backlog of repairs and maintenance of £163 million over the next five years across the sector. Once fees, inflation and other costs associated with these works are included, the repairs and maintenance could cost up to £360 million. These figures exclude the six campuses that have been financed in recent years through public-private partnerships: Ayrshire College's Kilmarnock and Kilwinning campuses; City of Glasgow College's Riverside and Cathedral Street campuses; and Inverness College's main campus and the School of Forestry. West College Scotland has the biggest repairs and maintenance backlog of £49 million over the next five years. This is equivalent to almost a fifth of the value of all its assets in 2016-17. A further five colleges have backlogs of over £20 million: North East Scotland, Dundee and Angus, Edinburgh, Fife and Scotland's Rural College (SRUC).

26. Of the £360 million total backlog, £31 million was identified as very high priority work needing to be addressed within one year, and a further £77 million as high priority within two years. The SFC identified two colleges where the very high backlog had been overstated, which reduced the 'very high' need to £27 million. The SFC is allocating £27 million to the sector in 2018-19 to allow it to address those very high needs.

27. In our report *Scotland's colleges 2017*, we recommended that the Scottish Government and the SFC complete the national estate condition survey and use the results to prioritise future capital investment. Based on the estate condition survey, the SFC produced criteria for managing the competing demands for major capital investment as part of its Infrastructure Strategy in December 2017. It has yet to publish these criteria.

The SFC is working with colleges to improve financial forecasting across the sector

28. Having longer-term financial plans in place will allow colleges to better prepare for future challenges. In response to recommendations we made in our report *Scotland's colleges 2016*, the SFC now requires colleges to prepare six-year financial forecasts. The current forecasts run from 2016-17 to 2021-22. Colleges are forecasting that their annual expenditure will increase faster than their annual income and that the financial deficit across the sector will grow to £21 million by 2021-22. Only South Lanarkshire College is not forecasting to be in deficit at any point over this six-year period.

29. In line with our recommendations last year, the SFC worked with sector representatives to develop a set of common assumptions that colleges should use for longer-term financial forecasting. For example:

- Colleges should plan that their teaching grant will stay the same in 2018-19 and 2019-20, then increase by two per cent for 2020-21 and 2021-22.
- Colleges should assume that capital maintenance funding will be held at 2017-18 levels over the forecast period.
- Colleges should assume the costs of national bargaining will be supported by specific grants in 2018-19 and 2019-20 that will reflect the costs in particular colleges. They should also assume that the 2019-20 specific grant reduces to 67 per cent in 2020-21, 33 per cent in 2021-22 and then to nil in 2022-23.
- Colleges should factor in a one per cent increase for pay awards for support staff for all years and for lecturing staff from 2020-21 onwards, based on public sector pay policy. In September 2017, the Scottish Government announced its intention to remove the public sector pay cap from 2018, so this assumption is no longer realistic.

30. Despite the SFC providing these assumptions, some colleges used different assumptions, for example, for funding levels and pay awards, believing them to be more realistic. The differences in the assumptions used by colleges mean that their financial forecasts, submitted to the SFC in June 2017, are not fully comparable and do not provide a reliable picture of the sector's future financial sustainability.

31. It is important that colleges are basing their financial forecasts on realistic and consistent assumptions to help them make informed decisions about their operations. Reliable forecasts will also support effective SFC funding decisions. At the time of this audit, the SFC was working with colleges to significantly strengthen financial forecasts from 2018 onwards.

Withdrawing from the European Union will have implications for colleges

32. The SFC administers and part funds the Developing Scotland's Workforce (DSW) Programme funded by the European Social Fund. Funding for this totalled £4.8 million in both 2016-17 and in 2017-18. This programme is scheduled to run until 2022-23. The decision to leave the EU should not affect this programme, and colleges should work with the SFC to plan for when it comes to an end.

33. The sector has also been able to draw on money from the European Regional Development Fund (ERDF) to support capital programmes. The European Investment Bank (EIB) has also been a major funder of the Scottish Government's Non-Profit Distributing (NPD) programme, including college campuses in Glasgow, Ayrshire and Inverness. It is not clear to what extent EIB funds will be available post Brexit.

34. Colleges Scotland research suggests around three per cent of teaching staff are from the EU, and it expects that figure to be higher for support staff.[6] Colleges Scotland and the SFC are working to analyse and model the impact of Brexit on the college sector.

Part 2

How Scotland's colleges are performing

Key messages

1 Student numbers increased by around four per cent in 2016-17. This is mainly due to an increase in part-time learners, particularly those under 16 years of age. Colleges exceeded the Scottish Government's learning target in 2016-17. They delivered 117,502 full-time equivalent (FTE) places against the Scottish Government's target of 116,269. Colleges overall also exceeded the SFC's activity target and delivered more credits than in 2015-16.

2 In 2016-17, attainment rates dipped slightly for higher education courses and full-time further education (FE) courses but increased for part-time FE courses. The percentage of students who complete their course was broadly static across all categories. Latest data covering 2015-16 shows that at least 82.7 per cent of successful full-time leavers entered a positive destination such as training or employment. Student satisfaction across the sector remains high and increased slightly in 2016-17. Attainment, retention, positive destinations and student satisfaction all vary widely by college.

3 There is evidence that colleges are widening access to learning. Across the sector, the proportion of credits delivered to students from deprived areas, from ethnic minorities, who have been in care or who have disabilities all continue to increase. Despite this, the gap in attainment between students from the least and most deprived areas is growing.

4 The gender balance across students in the sector has remained broadly even. However, more work is required to tackle the most significant gender imbalances on some courses and on some college boards.

in October 2017, the minister confirmed that colleges no longer need to prioritise full-time education for 16-24 year olds

Colleges exceeded the Scottish Government's learning target in 2016-17

35. The volume of learning that colleges deliver is measured in full-time equivalent (FTE) student places, or in units of learning known as credits. Each credit broadly equates to 40 hours of learning. Since 2012-13, the Scottish Government has set a national target for the college sector to deliver 116,269 FTE student places. Colleges delivered 117,502 FTE places against this target in 2016-17. The SFC set colleges a core activity target of 1,690,618 credits in 2016-17. Colleges delivered 1,699,760 credits against this target. They also delivered additional European Structural Fund (ESF) credits, giving a total of 1,762,032. This represents an increase in credits delivered of 0.5 per cent compared to 2015-16. This means that 2016-17 was the first year that activity has increased since 2013-14.

36. To meet the national target, the SFC agrees targets with the college regions, Newbattle Abbey College, Sabhal Mòr Ostaig and SRUC.[7] In 2016-17, all the colleges met their credit target except Newbattle Abbey College, which delivered 833 credits compared with its target of 926 credits. Newbattle Abbey College accounts for 0.05 per cent of Scotland's college activity.

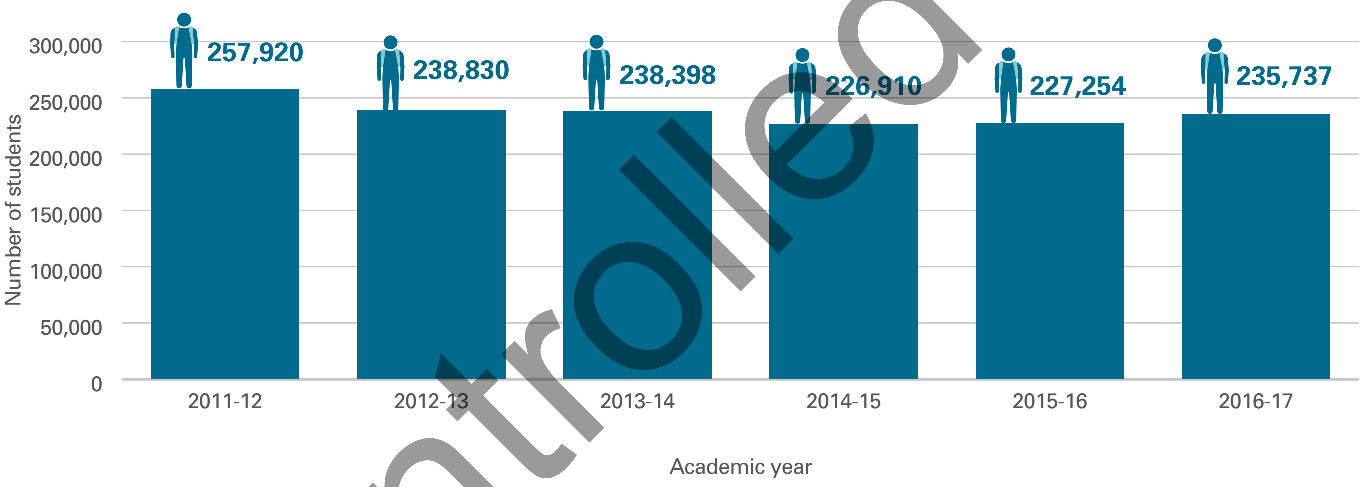
Student numbers increased by around four per cent in 2016-17

37. The number of college students increased by four per cent (8,483) in 2016-17, to 235,737 (by headcount). This is the largest number of students to attend Scotland's colleges since 2013-14 (Exhibit 8). For more information on how we present student numbers in this report, please see Appendix 1.

Exhibit 8

Student population analysed by headcount 2011-12 to 2016-17

The college student population in 2016-17 was the highest since 2013-14.



Source: SFC's Infact database

The largest increases in student numbers were in those taking part-time courses, particularly those aged under 16

38. In our report *Scotland's colleges 2017*, we reported that decreasing numbers of young people and more school leavers going on to work and university would make it harder for colleges to continue to achieve the national target. At that time, the Scottish Government's focus was on full-time courses and students aged 16-24. This had led to significant decreases in part-time and older students.

39. It is clear that colleges have now changed their focus and in October 2017, the Minister for Further Education, High Education and Science confirmed that colleges no longer need to prioritise full-time education for 16-24 year olds. Full-time student numbers remained almost unchanged in 2016-17 at 78,311. Enrolments to part-time courses increased for the first-time since 2013-14:

- Part-time student numbers increased in 13 colleges, by a total of 13,464 students. Fife College accounts for more than half of this increase (7,066).

- Part-time student numbers decreased in 12 colleges, by a total of 5,536. The most significant decreases were in Ayrshire College (part-time students fell by 1,390) and North East Scotland College (part-time students fell by 1,433).

- Overall the number of part-time students increased by 7,452 (five per cent) to 166,520.

40. More school-age students are attending college (Exhibit 9). The Developing the Young Workforce (DYW) programme means colleges are now offering more vocational courses to school pupils from S4-S6. The number of students aged under 16 attending college increased by 6,495, making up over 70 per cent of the total increase. Over two-thirds of students aged under 16 were taking courses not leading to a recognised qualification. This was the second year that the number of students under 16 increased, following a trend of decreases since 2011-12. Of students aged under 16:

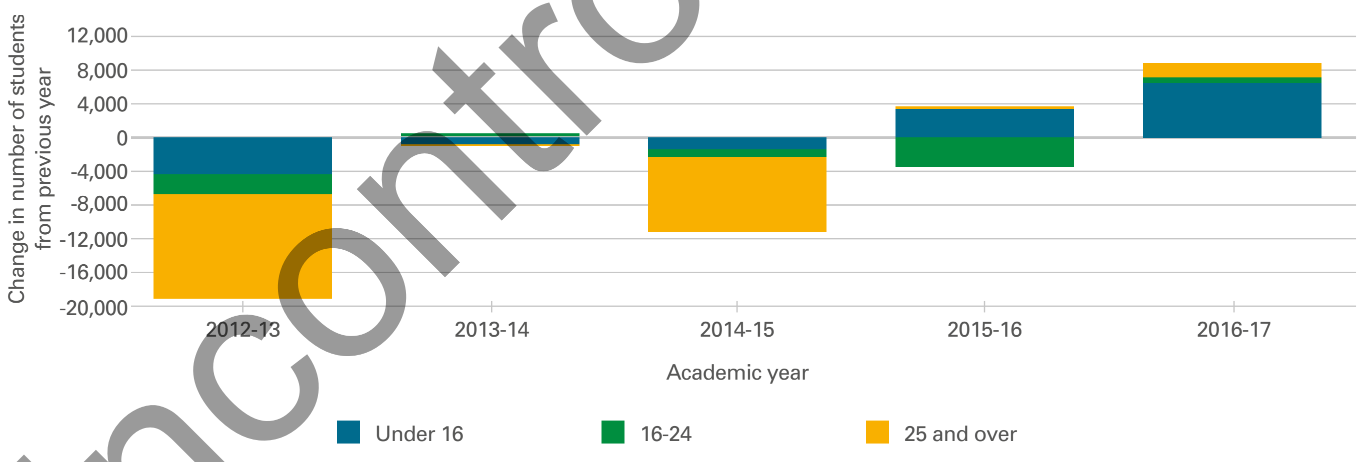
- more now study at college than in 2011-12 (28,334 in 2016-17 compared to 24,976 in 2011-12)

- most attend college part time, with only 391 under-16 students studying full time in 2016-17.

Exhibit 9

Change in number of students from the previous year, by age

The number of students aged under 16 has increased for the second year in a row.



Source: SFC Infact database

Attainment and retention, positive destinations, and student satisfaction rates were similar to the previous year

41. Attainment rates measure how many students successfully completed their course and gained the appropriate qualification. In 2016-17, attainment rates dipped slightly, that is, by less than one per cent, for HE courses and full-time FE courses. But they increased for part-time FE courses, from 74 per cent in 2015-16 to 77 per cent in 2016-17.[8]

42. Retention measures the percentage of students who complete their course. In 2016-17, retention remained relatively static, changing by less than one per cent across all courses.

43. The SFC tracks successful full-time college leavers after they qualify, and publishes this information in its College Leaver Destination report. The most recent data shows the following:[9]

- For those qualifiers whose destinations could be confirmed, 94.9 per cent went into positive destinations (for example, work or further learning). Of all qualifiers, 82.7 per cent went into positive destinations compared to 82.6 per cent in 2014-15.
- Of all qualifiers, 66 per cent stayed in education or training. This is down from 69 per cent in 2014-15. For those remaining in education, 85 per cent progressed to a higher level of study, 11 per cent stayed at the same level, and four per cent dropped a level.[10]
- At least 17 per cent of all qualifiers went into employment. This is up from 14 per cent in 2014-15. Over two-thirds were in a job related to their course.
- Of all qualifiers, 4.4 per cent were unemployed or unable to work. This was a slight increase from 3.8 per cent in 2014-15.

44. Over the past two years, the SFC has coordinated a Student Satisfaction and Engagement Survey. This asks college students about their experience. Overall, satisfaction remains high:

- 90.2 per cent for full-time students (90.1 per cent in 2015-16).
- 94.6 per cent for part-time students (93.1 per cent in 2015-16).
- 92.7 per cent for distance learners (88.1 per cent in 2015-16).

45. The SFC is aiming for a 50 per cent response rate for the survey. While it did not achieve this in 2016-17, the response rate improved on the previous year. The response rate for full-time students was 41 per cent, compared to 16 per cent for part-time students and nine per cent for distance learning.

Outcomes for students vary significantly by college

46. Changes in attainment, retention, satisfaction and destinations have been relatively small for the sector as a whole, but the variation across colleges is significant. For full-time students in further education:[11]

- Attainment rates in 2016-17 ranged from 78.7 per cent (Orkney College) to 57.4 per cent (Fife College).
- Retention rates ranged from 86 per cent (Orkney College) to 65.6 per cent (New College Lanarkshire).
- Overall satisfaction ranged from nearly 100 per cent to 81 per cent at Fife College.[12] Response rates to the satisfaction survey varied widely, from 80 per cent at Lews Castle College to eight per cent at North Highland.

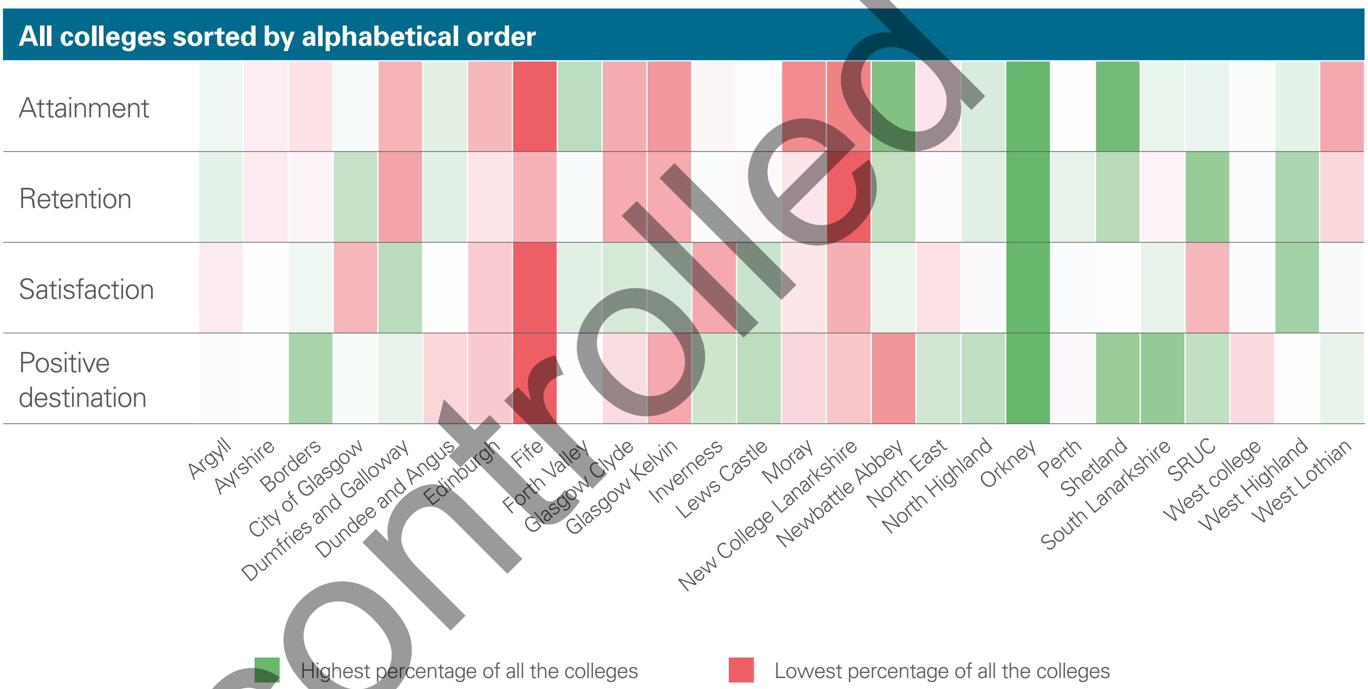
- Positive destinations for all full-time leavers ranged from 95 per cent at Orkney College, to 71.2 per cent at Fife College. The proportion of leavers whose destination could not be confirmed also varies. The unconfirmed rate ranges from 1.3 per cent (North Highland College) to 21 per cent (Fife College).

47. Most colleges seem to be stronger on some performance indicators for full-time FE courses than on others (Exhibit 10). The reasons for the variation in performance outcomes are complex and will be influenced by factors such as local deprivation levels in the communities served, ever more flexible learner pathways – influencing increasing numbers of early withdrawals – and improved employment opportunities, particularly for young learners.

Exhibit 10

Performance measure for full-time FE courses, by college

Outcomes for students vary significantly by college.



Note: Sabhal Mòr Ostaig does not have FE full-time students.

Source: SFC data

48. The SFC does not currently identify the factors that contribute to the trends identified or whether there are any significant relationships between the published measures. The Scottish Government is working on a project to improve attainment and retention at colleges. This may provide an opportunity to further investigate relationships within the data.

49. Another potential performance measure would be articulation rates, that is, the number of students who progress from college to university. Up-to-date information is not currently available on this, though the SFC is developing a national articulation database.

Students from a wider range of backgrounds are going to college

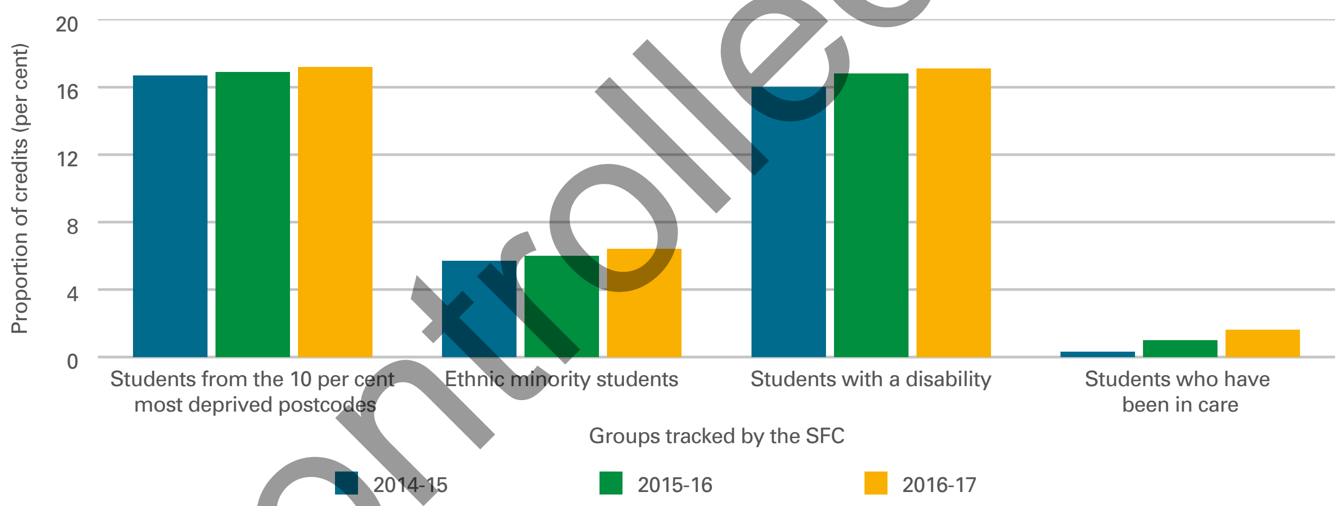
50. Working in partnership with schools, universities and employers, colleges offer an important route to gaining skills, improving employability or going into higher education. Colleges play an important role in widening access to education for those in deprived communities or with additional needs by increasing their career prospects and helping them to achieve their individual potential.

51. The SFC has national priorities to increase the proportion of credits delivered to students from deprived areas or who have been in care. They also track progress on the proportion of credits delivered to students from ethnic minorities or who have a disability. Exhibit 11 shows progress by the sector. The number of students from these groups has increased since 2011-12, despite large drops in overall student numbers.

Exhibit 11

Proportions of credits delivered to students from selected groups

The proportions of credits to students from these groups have been increasing.



Source: SFC

52. Colleges play a key part in encouraging students from a wider range of backgrounds to stay on in education, particularly in providing HE courses. Higher education courses taught in Scotland range from HNC and HND courses to post-graduate qualifications: 68 per cent of college HE entrants were on HNC or HND programmes. In 2016-17, around 1,000 students at Scottish colleges (excluding UHI) were studying at degree level. Students entering HE courses at college are more likely to be from deprived areas than those entering courses at HE institutions such as universities. Students from the 20 per cent most deprived areas account for 23 per cent (over 8,000 students) of HE entrants to Scotland's colleges. This compares to 12 per cent at HE institutions. In 2016-17, HE entrants at colleges accounted for 28 per cent (38,495 students) of all HE entrants in Scotland.

Students from the most deprived areas tend to have lower levels of attainment

53. In general, students from the least deprived areas do better than those from the most deprived areas. This gap has increased since 2011-12:

- For FE students, the gap in attainment between the ten per cent least deprived and ten per cent most deprived areas has increased from five percentage points in 2011-12 to seven percentage points in 2016-17. In 2016-17, attainment for students from the ten per cent most deprived areas was 62 per cent, compared to 70 per cent for students from the ten per cent least deprived.

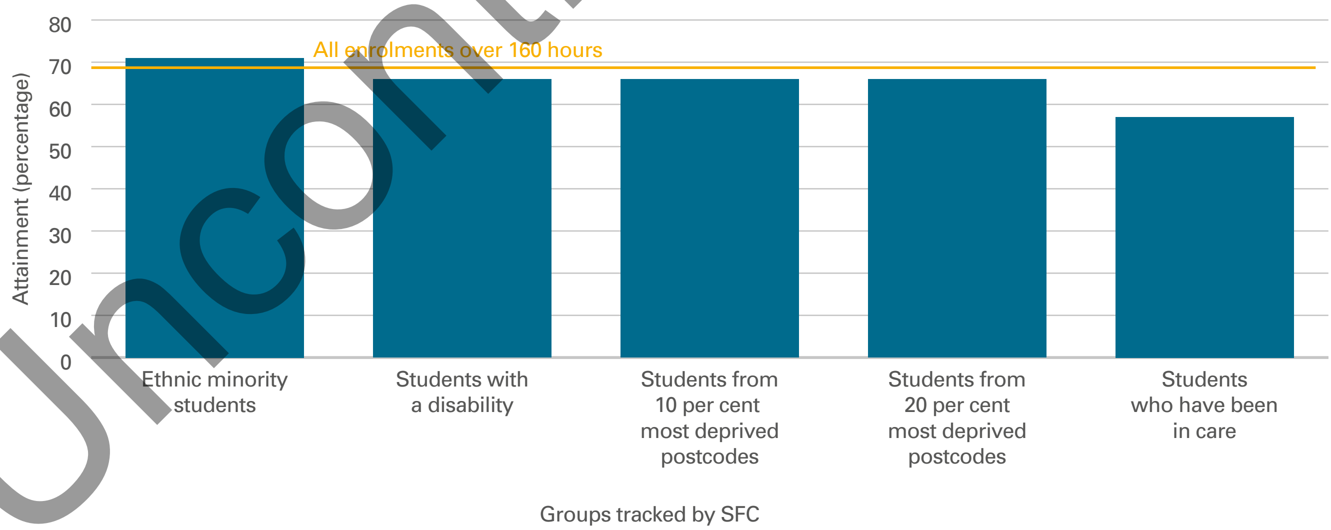
- For HE students, the gap in attainment between these groups increased from 7.5 percentage points in 2011-12 to 7.7 percentage points in 2016-17. The attainment gap narrowed between 2015-16 and 2016-17. In 2016-17, attainment for students from the ten per cent most deprived areas was 68.5 percent, compared to 76.2 per cent for students from the ten per cent least deprived.

54. The SFC reports that, for all courses over 160 hours, 69 per cent of students achieved their qualification in 2016-17. Attainment was higher for ethnic minority students, but lower for students with a disability or who have been in care. Students from all of the groups identified in Exhibit 12 are also less likely to move into work once they leave college.

Exhibit 12

Attainment on courses over 160 hours for students from selected groups 2016-17

There is an attainment gap for students from deprived areas, with a disability or who have been in care.



Source: SFC

55. Students from deprived areas are more likely to face barriers to attending college; for example, they might struggle to cover the transport costs, or struggle to afford food. Colleges have developed new approaches to tackle these problems. For example: Glasgow Kelvin College has dedicated staff to provide support for disadvantaged students; Dumfries and Galloway College provides transport to students from remote areas; and South Lanarkshire College has been providing free counselling for students and free sanitary products to all female students.

56. An independent review of the student support system in Scotland published its findings in November 2017.[13] This review proposed:

- changing the structure of student support funding for college students
- moving to one common funding system across both further and higher education with local face-to-face support.

57. The Scottish Government, SFC and Student Awards Agency for Scotland (SAAS) are currently considering the review's recommendations.

Colleges have made limited progress in reducing gender imbalance in certain courses

58. The gender balance across students in the sector has remained broadly even, as was the case last year. Female students represent 51 per cent of the student population (120,187), and males 49 per cent (115,320).[14]

59. Both male and female part-time students increased in 2016-17. The number of male students increased by eight per cent to 83,817 and the number of female students by two per cent to 82,529. Since 2011-12, female part-time student numbers have dropped by 35 per cent (45,074 students), compared to 24 per cent for males (26,405 students). Part-time students are now split almost evenly between male and female for the first time.

60. There continue to be large gender imbalances across subject groups (Exhibit 13, page 28). The SFC is committed to increasing the minority gender share in the most imbalanced subjects through sharing identified good practice and its gender action plan. It has made good progress in attracting female students to engineering, and some progress attracting male students into social work. But it needs to do more to improve gender imbalance in other subjects. Childcare courses are particularly imbalanced. The SFC expects to see more progress from 2017-18 onwards.

Colleges are trying to improve gender balance on college boards

61. In January 2018, the Scottish Parliament passed the Gender Representation on Public Boards (Scotland) Act 2018 to improve the gender representation on boards of Scottish public authorities. At February 2018, 16 colleges had more men on their boards than women. Six college boards had twice as many men as women, with the greatest gender imbalance at Orkney College (16 men to three women).[15, 16] Seven colleges had more women than men on their boards, with the largest gender imbalance being Borders College, with ten women and six men. Three colleges had an equal balance: New College Lanarkshire, Edinburgh College and Moray College.

Exhibit 13

Subjects with greatest gender imbalances

Changes in the gender balance of some courses is relatively small.

Subject	Male students in 2016-17 %	Female students in 2016-17 %	Percentage point change in minority gender from 2015-16
Engineering	78	22	▲ 7
Transport	93	7	▼ -4
Construction	89	11	— 0
Health	24	76	▼ -1
Social Work	14	87	▲ 1

Source: SFC

62. We recognise that the gender balance of members of college boards is not entirely under the control of colleges as some members are elected to their position.

63. UHI has taken steps to improve the gender balance in the members of its governing body (Case study 1, page 29).

Case study 1

UHI is addressing its gender balance

UHI had difficulty attracting female candidates to its governing body. Its recruitment process in late 2017 saw 70 per cent of applicants being men. One female governor was recruited through this process, but to supplement this UHI ran another recruitment process using a different approach. This included:

- changing the role description and person specification significantly to make it accessible to a much wider audience, for example removing the requirement that applicants must have served on boards before, and focusing on the skills needed for the role
- specifying that candidates should be able to demonstrate a commitment to equality and diversity
- encouraging appropriate candidates by sharing the vacancy with local women's groups, for example the Highland Business Women's Club.

This resulted in better quality applicants, a greater number of female applicants and, ultimately, to three further female appointments to the UHI Court. When all three new governors have joined, the Court membership will be 11 men and eight women.

Source: Audit Scotland

Part 3

Progress in the multi-college regions

Key messages

1 The three multi-college regional strategic bodies (RSBs) are fulfilling their statutory duties by setting targets for individual colleges and distributing funding. But the extent to which they are delivering the anticipated benefits of regionalisation varies.

2 The University of Highland and Islands (UHI) Court has made good progress in delivering the anticipated benefits of regionalisation. Since it became the RSB in 2014, it has focused on changing cultures and developing effective relationships among its assigned colleges. The RSB is helping colleges to balance income and expenditure over the medium-to-long term in a more sustainable way by re-allocating learning activity and funding in the region. It is now planning more effective shared working and is working with four of its incorporated colleges to explore opportunities for greater integration.

3 After a difficult start, the Glasgow Colleges' Regional Board (GCRB) is making progress on coordinating collaborative regional activity. Both GCRB and its assigned colleges recognise that they need to do more work to deliver a fully effective regional partnership. It will benefit from longer-term leadership stability to be more effective, particularly with the regional arrangements following significant merger activity in Glasgow.

4 The benefits of regionalisation in Lanarkshire have come about mainly through the merger of colleges to create New College Lanarkshire. Under the regional structure, New College Lanarkshire and South Lanarkshire College are working together to meet core statutory requirements, but the regional arrangements are not delivering any significant regional benefits.

regional strategic bodies are fulfilling statutory duties but regional benefits vary

The regional strategic bodies (RSBs) in the three multi-college regions are fulfilling their statutory duties

64. As part of its reform of post-16 education, the Scottish Government established a regional approach to further education. The aim was to make the sector more efficient and responsive to the needs of students and local economies. Across Scotland, 13 regions were created. Three of these contain more than one college: Glasgow, Highlands and Islands, and Lanarkshire. In these three multi-college regions, RSBs oversee the assigned colleges.[17] They are responsible for:

- strategically planning college education across the region
- allocating funding to assigned colleges
- monitoring how their assigned colleges perform
- overseeing the delivery of the regional outcome agreement, which sets out what colleges in a region will deliver in exchange for funding.

65. All three RSBs in the three multi-college regions are structured and operate differently:

- The Court of the University of Highlands and Islands (UHI) existed before regionalisation, but was established as the RSB in August 2014. It secured operational fundable body status in April 2015. To carry out its regional body role, UHI established a committee of its Court, called the Further Education Regional Board (FERB). The RSB function within the university requires a small number of dedicated staff and its operating budget in 2017-18 is around £325,000. Nine colleges are assigned colleges of UHI:
  - five incorporated colleges: Inverness, Lews Castle, Moray, North Highland and Perth.
  - four non-incorporated colleges: Argyll, Orkney, Shetland and West Highland.

  Uniquely to UHI, assigned colleges are also academic partners of UHI for delivering higher education.
- Glasgow Colleges' Regional Board (GCRB) was established in May 2014. GCRB has three assigned colleges: City of Glasgow, Glasgow Kelvin and Glasgow Clyde Colleges. It employs three staff and its operating budget for RSB activities in 2017-18 is around £430,000. After some problems which were highlighted in a statutory report by the Auditor General, it achieved operational fundable body status in April 2017.[18]
- The Lanarkshire Board is the board of the New College Lanarkshire (NCL) as well as the RSB. It secured operational fundable body status in August 2016. With no separate regional governance arrangements or additional staff, the RSB incurs relatively little additional cost. This is estimated to be in the region of £50,000 a year and is shared between the two colleges, with NCL funding 60 per cent and South Lanarkshire College 40 per cent.

66. To operate fully, RSBs in multi-college regions had to meet the SFC's requirements to be 'fundable bodies'. The creation of multi-college RSBs has led to a change in the financial and accountability relationships between the SFC and the assigned colleges in these regions.

67. In *Scotland's Colleges 2016*, we reported that none of the three multi-college RSBs was operating as intended. The regional arrangements are still relatively new. As they have been established alongside significant reform in college mergers, we expect that it will take some time for RSBs to be operating fully effectively. We are seeing the culture in assigned colleges is beginning to change.

Progress in meeting the aims of regionalisation varies

68. All three multi-college RSBs now fulfil their core statutory duties. But the extent of their progress in meeting the wider aims of regionalisation varies. The remainder of this section considers what each RSB has done since it was created.

UHI

69. UHI has made good progress in meeting the wider aims of regionalisation. It has invested a lot of time and effort in building relationships between the assigned colleges, and establishing a more collaborative culture. Colleges are now more willing to share best practice and services to generate greater efficiency. For example, Inverness College recently appointed a Director of Finance on the basis of her becoming the joint Director of Finance at both Inverness and Moray colleges.

70. UHI has been developing a clear sense of purpose, with a regional strategy for further education. It has invested in staff and revised structures to reflect its wider responsibilities and deliver its aims. This has included appointing a Vice-Principal of further education and other dedicated staff. It has also been developing regional policies and management information systems. For example, it is:

- making progress in developing a single set of policies for further education, covering admissions, the content of courses and student procedures
- delivering significant increases in foundation apprenticeships and pilot graduate apprenticeships by planning and delivering apprenticeships on a regional basis through its work-based learning hub
- using data better to help it report more effectively against its plans.

71. UHI has been strengthening the accountability of its assigned colleges by developing more effective performance monitoring arrangements. This has been prompted by the lessons learned from previous financial difficulties in Moray College. Its audit committee and financial and general purposes committee now both look in detail at the performance of all individual colleges across a range of measures. As a result, committee members are better informed about long-and short-term performance issues and about the colleges' financial sustainability. UHI recognises though that there is scope for further improvement, particularly in securing timely information from assigned colleges to form a more joined-up approach to risk and performance management.

72. Over the past two years, some of UHI's colleges have found it difficult to meet their activity targets. This has presented a risk to their ability to continue to balance their income and expenditure in the medium to long term. In November 2017, UHI agreed a funding model for allocating further education credits between colleges in a way that maintains financial stability at individual colleges and meets the regional targets agreed with the SFC.

73. UHI is working with four of its five colleges to explore options for greater integration. Its aims are to simplify UHI's structure and governance arrangements, deal more effectively with future financial pressures, and deliver benefits for staff and students. The agenda is at an early stage, with UHI yet to consult colleges on specific proposals or the potential benefits from greater integration.

GCRB

74. Following its creation, GCRB had weaknesses in governance arrangements, highlighted in a statutory report in 2014/15. This contributed to it taking three years to achieve fundable body status. GCRB has also experienced instability in its leadership, with three permanent and two interim chairs in four years, with its current chair being appointed in January 2018. GCRB is now benefiting from greater collaboration and integration in the areas outlined below. However, the current chair acknowledges that greater stability is needed to make GCRB more effective than it has been, and she is working with the three assigned colleges and their boards to agree a joint vision.

75. GCRB reviewed the region's curriculum in 2014 prior to publication of the *Glasgow College Region Curriculum and Estates Plan 2015-2020*. This led to changes in the number and content of courses, the closure of a campus that was no longer fit for purpose and a transfer of credits between colleges.

76. GCRB launched Glasgow's Regional Strategy for College Education in October 2017, which sets out the regional priorities for 2017-22. This strategy sets an overarching ambition of building an inclusive, responsive and effective regional college system. To deliver this, GCRB and its assigned colleges are taking forward a number of regional initiatives:

- Coordinating the way school students move into further education across the Glasgow region and developing ways for students to move easily from the three colleges to Glasgow University.
- Coordinating curriculum hubs that jointly plan the courses colleges provide, to match economic and employer needs. This approach gives learners a better chance of getting a job when they leave college. The hospitality hub, for example, is run by operational managers across the colleges and shares teaching materials, assessments and students.
- Supporting Glasgow's colleges to develop individual college and regional science, technology, engineering and mathematics (STEM) strategies. The colleges now work together with employers and higher education partners to develop effective ways for school pupils to go to college and university and into jobs.
- Establishing regional leads, in the form of senior college staff, for curriculum planning, organisational development, student experience, developing the young workforce (DYW) and student data systems. Individual colleges fund this work, with senior staff concentrating on regional work, on average, for one day a week.
- Distributing capital funding to colleges against an agreed set of criteria, linked to regional priorities.
- Monitoring and scrutinising colleges' finances and performance on an ongoing basis.

77. Prior to the creation of GCRB, the colleges in Glasgow established the Glasgow Colleges Group in response to the regionalisation agenda. This group still exists for the three colleges to take forward operational issues on a city-wide basis. GCRB staff are members of this group and contribute to the work of the group. GCRB staff membership also provides a link back to the regional board.

78. Senior staff and board members we spoke to from GCRB's assigned colleges expressed mixed views about the additional benefits the regional body brings. The majority acknowledge the benefits of having a regional body to support collaborative working, but some see it as an unnecessary additional cost and layer of bureaucracy. If GCRB is going to become more stable and add more value, it needs to address these concerns.

Lanarkshire

79. The benefits of regionalisation in Lanarkshire have come about mainly through the merger of three of the four Lanarkshire colleges (Coatbridge, Cumbernauld and Motherwell colleges) to create New College Lanarkshire. For example, it has been able to review and rationalise the courses provided by its predecessor colleges and harmonise policies and ways of working. New College Lanarkshire provides courses across the Lanarkshire region, including in South Lanarkshire.

80. The current regional structure, with South Lanarkshire College being assigned to New College Lanarkshire, adds very little value to regional college provision. Both colleges are working together to meet core statutory requirements, such as having a Regional Outcome Agreement (ROA), but, beyond this, significant cooperation or integration between the colleges has been limited.

81. Most members of the RSB that we spoke to recognise that the current arrangement is not ideal, creating duplication without delivering any benefits. They also share concerns about making further efforts to create a regional approach to learning. South Lanarkshire College performs well, has a relatively healthy financial position and its board members see no additional benefit to be gained from any changes across the region. New College Lanarkshire has been through a difficult period in merging its three predecessor colleges and is focusing on addressing its current financial difficulties page 15.

82. The colleges have indicated that demographics and infrastructure are also a barrier to greater cross-Lanarkshire course rationalisation. Distances between New College Lanarkshire's campuses and South Lanarkshire College are greater than the distance to colleges in Glasgow. There are also relatively poor transport links across Lanarkshire compared with good transport links to Glasgow. Both colleges share concerns that shifting courses between the colleges could potentially encourage more local students to look at courses in Glasgow than within the region.

83. There is limited evidence that the Lanarkshire Board has sought to address the issues described above or that its colleges have explored opportunities for more effective regional working. Since 2015-16, the board and its finance committee have been committed to developing a five-year plan for the region to 'form strategies to minimise negative impact and maximise opportunities which arise'. The board has yet to confirm when this will be developed and approved. There is some evidence that the colleges are beginning to look at other ways of working together more efficiently. For example, the remit for a review of regional finance structures will be taken to the regional finance committee in June 2018. However, these developments are still at an early stage.

Despite the regional arrangements, assigned colleges must also report to the SFC

84. Assigned colleges are accountable to their RSB for the local delivery of further education and meeting locally agreed targets. Each RSB is accountable to the SFC for delivering further education across the region. Despite the introduction of RSBs, the SFC still requires assigned colleges in multi-college regions to submit a number of specific data requests directly to them. It has required college-level responses to new initiatives, such as gender action plans and to its condition survey, rather than asking for regional responses. Assigned colleges tell us that this not only creates confusion around accountability, but that the requirement to provide data to both their RSB and the SFC can place an additional burden on them.

Endnotes

1 *Scotland's colleges 2017*, Audit Scotland, June 2017; *Scotland's colleges 2016*, Audit Scotland, August 2016; *Scotland's colleges 2015*, Audit Scotland, April 2015.

2 Until 1992, all publicly funded colleges were run by local authorities. Under the Further and Higher Education (Scotland) Act 1992, most of these colleges established their own corporate body and boards of management. The boards of management took over responsibility for the financial and strategic management of the colleges. These colleges are referred to as incorporated colleges and produce accounts subject to audit by the Auditor General for Scotland. The remaining six colleges are generally referred to as non-incorporated colleges. Scotland's Rural College (SRUC) is classed as a higher education institution but counts towards the achievement of the national target for colleges.

3 Orkney College and Shetland College are controlled by the respective local authority, and prepare their accounts for the same financial year end as the local authority.

4 These are produced by HM Treasury and published on the www.gov.uk website.

5 Incorporated colleges only.

6 Written evidence submitted by Colleges Scotland to the Scottish Affairs Committee, March 2018.

7 The other non-incorporated colleges (Orkney, Shetland, West Highland and Argyll) are part of the Highlands and Islands region.

8 Attainment and retention figures are derived from the SFC's Performance Indicators for 2016-17.

9 Positive destinations are from the most recent data available (2015-16), and represent only known destinations. The destination data is for all full-time students (including both HE and FE), except for UHI and SRUC where the HE data is not available. 87 per cent of leavers' destinations could be confirmed (86 per cent in 2014-15).

10 Based on SCQF level. SCQF level progression information was available for 87 per cent of college leavers.

11 HE figures have been excluded here as HE data for UHI colleges and SRUC is reported differently.

12 2016-17 was only the second year that the SFC has collected satisfaction data across all colleges and modes of study. The SFC publishes student satisfaction results on a sector-wide basis but not currently for individual colleges due to the variation in response rates to college surveys. It is working with colleges to improve their survey response rates.

13 *A New Social Contract for Students: Fairness, Parity and Clarity*, Student Support Review in Scotland, Autumn 2017.

14 230 students did not give their gender or described it as 'other'.

15 North East College Scotland, City of Glasgow College, Glasgow Kelvin College, North Highland College, Orkney College and Shetland College.

16 Orkney College is one of two colleges run by the local council (the other being Shetland). The college board members are determined by the council. The Accounts Commission's recent Best Value report identified a gender imbalance across councillors for Orkney Islands Council. (*Best Value Assurance Report: Orkney Islands Council*, Accounts Commission, December 2017).

17 Under the Further and Higher Education (Scotland) Act 2005 every incorporated college is either designated as a regional college or assigned to a regional strategic body.

18 *The 2014/15 audit of Glasgow Colleges' Regional Board*, Auditor General, March 2016.

Appendix 1

Audit methodology

Our audit involved the following:

- Analysing relevant Scottish Government budget documentation, colleges' audited accounts and auditors' reports covering the financial periods ending July 2017.
- Analysing information held by the SFC, including performance and activity data.
- Interviewing a wide range of stakeholders. These included college principals, senior college staff, regional chairs, Colleges Scotland, staff and student unions, trade unions, the SFC and the Scottish Government.
- Data we requested from colleges' local external auditors.

This report focuses on incorporated colleges. We state clearly where we include data relating to non-incorporated colleges.

Detailed methodology for specific sections in the report:

Underlying financial position (paragraph 10)

Incorporated colleges reported an overall deficit of £20.5 million in their 2016-17 audited accounts. This compares with an overall deficit of £19.4 million in 2015-16 audited accounts. In reporting the underlying financial position we have used the SFC's data for each college based on the accounts direction it issued in 2017.

Calculating student numbers (paragraph 37)

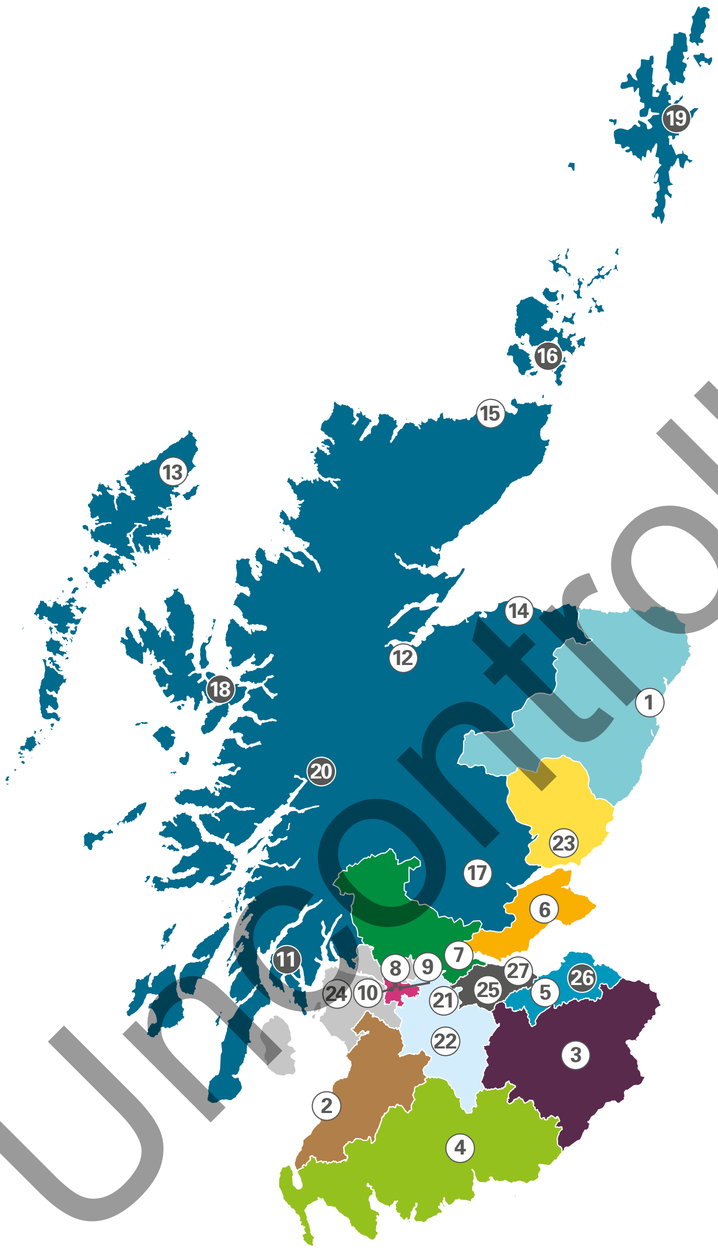
In this report we present student numbers by headcount, drawn from the SFC's Infact database. Where possible, this headcount excludes any multiple enrolments, meaning if a student had been enrolled at two colleges in 2016-17 they would only be counted once. Where we show full-time and part-time student numbers this will include multiple enrolments.

In previous college overview reports, we have presented student numbers for incorporated colleges only. For Scotland's colleges 2018, we have expanded our analysis to include non-incorporated colleges and SRUC to give a comprehensive picture of performance against the Scottish Government's national target for learning activity. If we analyse only the incorporated colleges in line with our approach last year, we see that headcount has increased by four per cent, and the trend is the same as for the whole sector.

The student population data from the SFC's Infact database includes the data for Argyll and West Highland Colleges within the figures for North Highland College, so we are unable to identify trends in the student numbers data for these colleges separately.

Appendix 2

Scotland's college landscape 2018



Region		College
Aberdeen and Aberdeenshire	1	North East Scotland College
Ayrshire	2	Ayrshire College
Borders	3	Borders College
Dumfries and Galloway	4	Dumfries & Galloway College
Edinburgh and Lothians	5	Edinburgh College
Fife	6	Fife College
Central	7	Forth Valley College
Glasgow	8	City of Glasgow College
	9	Glasgow Clyde College
	10	Glasgow Kelvin College
Highlands and Islands	**11**	**Argyll College**
	12	Inverness College
	13	Lews Castle College
	14	Moray College
	15	North Highland College
	16	**Orkney College**
	17	Perth College
	18	**Sabhal Mòr Ostaig**
	19	**Shetland College**
	20	**West Highland College**
Lanarkshire	21	New College Lanarkshire
	22	South Lanarkshire College
Tayside	23	Dundee and Angus College
West	24	West College Scotland
West Lothian	25	West Lothian College
n/a	**26**	**Newbattle Abbey College**
n/a	27	SRUC

Note: The map shows the 20 incorporated colleges, the six non-incorporated colleges in Scotland (in bold) and Scotland's Rural College (SRUC) which is classed as a higher education institution but counts towards the achievement of the national target for colleges.

Source: Audit Scotland

For Information

Scotland's colleges 2018

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