



# FINANCE AND RESOURCES COMMITTEE

**Wednesday 4 October 2023 at 4.30pm**  
**via teams**

## **FINANCE AND RESOURCES COMMITTEE**

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A meeting of the Finance and Resources Committee will be held on Wednesday 4 October 2023 at 4.30 pm via teams.

### **A G E N D A**

<b>23.31</b>	Welcome and Apologies			D Newall
<b>23.32</b>	Declarations of Interest			D Newall

#### **Minutes of Previous Meeting**

<b>23.33</b>	Minute of the Finance and Resources Committee of 7 June 2023	P	D	D Newall
<b>23.34</b>	Matters Arising Action Grid	P	D	D Newall

#### **Items for Discussion**

<b>23.35</b>	Draft Primary Financial Statements for y/e 31 July 2023	P	ND	T Elliott
<b>23.36</b>	Budget Update 2023/24	V	ND	T Elliott
<b>23.37</b>	Commercial & External Funding Update 2022/23 Outturn and 23/24 Plans	P	ND	D MacDougall
<b>23.38</b>	Strategic Risk Register	P	D	J Vincent

#### **Items for Noting**

<b>23.39</b>	GCEF Update	V		J Vincent
<b>23.40</b>	Audit Scotland Report: Scotland's Colleges	P	D	J Vincent
<b>23.41</b>	Schedule of Work 2023/24	P	D	K Mavor
<b>23.42</b>	Any Other Business			D Newall

Date of next meeting – 29 November 2023

\*the KPI report has not been included on this Agenda due the impact of the VP vacancy on staff resources.

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**FINANCE & RESOURCES COMMITTEE MEETING**


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<b>Date of Meeting:</b>	4 October 2023
<b>Paper Title:</b>	College Strategic Risk Register
<b>Action:</b>	For Discussion
<b>Prepared by:</b>	Jon Vincent, Principal & Chief Executive
<b>Agenda Item:</b>	23.38
<b>Status:</b>	Disclosable

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**1. PURPOSE OF THE REPORT**

- 1.1 This report considers the College's Strategic Risk Register which is updated regularly and reported to the Audit Committee, Finance & Resources Committee and the Board of Management on a quarterly basis.

**2. ACTION FOR THE COMMITTEE**

- 2.1 Finance & Resources Committee members are invited to discuss this paper.

**3. BRIEF BACKGROUND INFORMATION**

- 3.1 The Strategic Risk Register is updated regularly and considered at least quarterly by College senior management. The Register was refreshed ahead of the start of this academic year.

**4. SUPPORTING DOCUMENTATION/ FURTHER INFORMATION**

- 4.1 **Annex 1:** College's Strategic Risk Register as at 17 September 2023

There are 13 key risks in the Strategic Risk Register of which 2 (3) have a high residual risk score after mitigating actions, 8 (5) have a medium residual risk score and 3 (5) have a low residual risk score.

Note: figures provided in brackets are those presented to the previous committee meeting.

- 4.2 The three highest risks after mitigating action in the College Strategic Risk Register are as follows:

**Risk 1 – Failure to manage financial sustainability through period of financial plan**

There are a range of impacts from the 2023/24 college budget and financial plan which will be challenging including unfunded pay awards and inflation pressures against a backdrop of flat cash from SFC income over the next five years. They are very significant risks that have been regularly reported on to the Board of Management and discussions are ongoing. The budget for 2023/24 anticipates at large deficit at the year-end (circa £2.6m) and a risk of negative cash balances. Reduction in non-pay budgets have taken place and the downsizing of staffing

levels is on-going through an unfunded Voluntary Severance scheme. A further bid to GCEF is planned for funds to maintain the financial stability of the College during a period of downsizing.

**Risk 2 – Implications of national bargaining and possible negative impact on employee relations**

This is a high risk given the potential financial impacts on the College, and the sector, of national bargaining and unfunded pay awards as well as negative employee relations risks if there is to be further disruption through industrial action. Members of the main lecturers' trade union have been undertaking Action Short of a Strike (ASOS) since spring 2023 and this primarily involves a resulting blockade. However, in September and October 2023 strike action has taken place (or are planned). Members of the support staff trade unions Unison and Unite also participated in strike action on 7 and 12 September 2023. GMB union members have voted to accept the latest offer. The rejected 'full and final' pay offer made by College Employers Scotland to both lecturers and support staff is £2k consolidated for 2022/23 and £1.5k consolidated for 2023/24. The costs of this pay award to Glasgow Clyde College would be circa £3.5m and the Scottish Government have confirmed to the College sector that they are not able to assist with the costs.

**Risk 11 - Failure to maintain and develop appropriate accessible, dynamic, flexible learning and social spaces which is fit for purpose for teaching and learning and staff working environment**

As a result of incidents in public buildings constructed from Reinforced Autoclaved Aerated Concrete (RAAC), on 9 August 2023 the Scottish Funding Council asked all Colleges to undertake survey work on their building to ascertain if RAAC is presented. The College commissioned its professional advisors Doig & Smith to undertake the survey work. Initial work identified RAAC as present in two areas of the Cardonald campus (not the Tower Building) and potentially in the Mary Stuart Building at the Langside campus. Follow-up works confirmed the presence of RAAC in the Boiler House and Sports Complex at Cardonald campus. These works also clarified that RAAC was not present in the Mary Stuart Building. The condition of the RAAC in the Boiler House is poor, this area has been closed and further survey work by a structural engineer have been commissioned. RAAC has been used extensively in the construction of roof sections throughout the Cardonald campus Sports Complex however the majority is in good condition and present no risk. However, there are areas where the RAAC is in a poor and potentially dangerous state, these areas have been closed and will be subject to survey work by the structural engineer. To date, neither the SFC or Scottish Government have communicated a plan with regard to the management or removal of RAAC.

- 4.3 There are two risks where the residual risk score is above the College's Risk Appetite of Open which are risks 1 and 2, both being at a score of 20.

For **Risk 1** which is failure to manage financial sustainability through the period of the financial plan, this risk score was increased to be above the risk appetite following discussion at the Board of Management meetings since October 2022, and the Board have tasked College management with providing a planned approach to improving College financial sustainability including how efficiency will be improved, costs decreased, prioritising the most successful areas of the curriculum over others, and developing any further revenue streams. This is being reported upon at each Finance and Resources Committee and an update given to each Board meeting as well as a target for savings being set and reported on to the Chair.

For **Risk 2** which is related to implications of national bargaining and possible negative impact on employee relations there is a limit to what the College can control in relation to this risk given it is as a result of a national process however the College fully engages with related Employee Association, Principal and HR College Group discussions and communicates both formally and informally with the unions and staff.

## **5. RISKS**

- 5.1 The College Strategic Risk Register is a key part of the College's risk management framework.
- 5.2 The College is required to have a risk register as part of the Financial Memorandum and the risks cause and potential consequences are shown within the College Strategic Risk Register.

## **6. ANY OTHER SIGNIFICANT IMPACT eg STUDENT EXPERIENCE/LEGAL/FINANCIAL/EQUALITY & DIVERSITY**

- 6.1 Each of the risks in the College Strategic Risk Register reflect the current assessment of the key areas of College activity across the risks in delivering the Strategic Plan which include student experience, legal, financial, and equality and diversity matters.

GLASGOW CLYDE COLLEGE - STRATEGIC RISK REGISTER																	
Risks linked to the five strategic plan themes																	
										As at- 17/09/2023 Key for Risk Appetite Residual Score Comparison: 1-6 = Averse, 7-9 = Minimalist, 10-14 = Cautious, 15-19 = Open, 20-25 = Hungry							
Risk Score Before Mitigating Actions						Risk Score After Mitigating Actions											
Risk Ref	Risk Description - Risk Cause	Potential Consequences	Probability	Impact	Risk Score	Mitigating Actions	Probability	Impact	Risk Score	Score compared to College risk appetite (see key above)	Link to Strategic Theme(s)	Risk Owner	Links to KPIs	Previous score at last report to Board	Increasing/ Decreasing/ No Change		
1	Failure to manage College financial sustainability through period of financial plan	Financial sustainability Inability to meet obligations Inability to remain going concern Reputational risk Legal implications Not complying with SPFM Strained relationship with GCRB and SFC Pressures from national bargaining terms and conditions implications Implications for staffing	5	5	25	i) Revenue budget for 2023/24 and future years' financial plan being prepared although not able to achieve break even and seeking to achieve significant staff reductions. ii) Financial plans developed by College Senior Leadership Team for reduced credits activity and monitored within framework of available activity through Glasgow Regional plans for funding for teaching, student support funds and capital. Portfolio planning key element of cost base and monitored on ongoing basis iii) Cost reduction plans continue to be implemented with reduction in staff levels and significant cuts in non-staff budgets across the College. iv) Process of review of all areas to seek cost reductions, as well as seeking further efficiency through improved business processes. v) Successful bid to GCEF for additional funding support from November 2020 ongoing into 22/23. New bid to GCEF for 23/24 planned.	4	5	20	Higher than risk appetite (Hungry). Reporting to each Board from December.	5 - Financial Resilience through Operational Excellence	Principal/ Deputy Principal & Vice Principal	Annual operating position	20	No Change		
2	Implications of national bargaining and possible negative impact on employee relations	Reputational risks Poor industrial relations Potential service disruption through removal of labour e.g. strikes, action short of strike Loss of goodwill	5	5	25	i) Engagement with national process. Representation made through College Employers Scotland, Colleges Scotland, Principals Forum, and GCRB, within national bargaining process. ii) Emphasis made on imperative of financial sustainability and affordability issues particularly given increased staffing costs and flat cash SFC funding. iii) Relationships locally to maintain and build communications on national negotiations. Focussed work with Trade Unions, specific and regular meetings with senior management, ensuring good flow of information, and ongoing communications on any national matters iv) Effective clear, consistent communications in College with unions and with wider stakeholders and related message management v) Ensure proper consultation and early engagement on any local changes vi) Business continuity planning used to ensure all stakeholders appropriately communicated with in any potential industrial action vii) Engage with awarding bodies on any potential service changes	5	4	20	Higher than risk appetite (Hungry) As this relates to a national process there is a limit on mitigating actions possible, hence residual score still higher than risk appetite.	4 - Employer of choice 5 - Financial Resilience through Operational Excellence	Principal/ Assistant Principal HR	Annual operating position	20	No Change		
3	Failure to achieve SFC credits target and clawback of funding	Reputational risk with SFC, GCRB Financial risk Not meeting needs of community and employers	5	5	25	i) Major redesign of curriculum due to 10% reduction in credits levels for 23/24. Focus on achieving new credits targets with staff reductions being implemented in resultant. ii) Work within 2% tolerance of new credits target. Early withdrawals funding cut off date for full time programmes now earlier. iii) Systematic monitoring of credits levels throughout the year iv) Efficient deployment of human and physical resources to deliver the curriculum and credits	3	3	9	As per Risk Appetite (Open)	3 - Unrivalled Student Experience 5 - Financial Resilience through Operational Excellence	Deputy Principal	Credits target measure	16	Decreasing		
4	High Impact Business Continuity incident for College e.g. cyber attack, pandemic, fire, long term power loss, power rationing	Business interruption Impact on ability to meet future obligations Impact on student outcomes Legal implications Data protection issues Potential loss of essential data	4	5	20	i) Health and safety risk assessments in place and required testing and audits completed on an annual cycle ii) Business Continuity Plan for College in place. iii) Business interruption insurance and cyber security insurance in place. iv) Systems/services cloud based and using VPN/remote desktop for staff to access systems while home working. v) Infrastructure designed not to have single points of failure with all campuses operating a sophisticated dual-core network topology. vi) Member of HE/FE Shared Technology and Information Services (HEFESTIS) which provides support to secure against cyber attack and regular ICT network penetration testing undertaken by external bodies. vii) ICT backup procedures and Disaster Recovery planning. Cyber essentials+ status maintained. viii) Fraud response plan in place	3	5	15	As per Risk Appetite (Open)	5 - Financial Resilience through Operational Excellence	Vice Principal - Resources & College Development	Health and Safety KPIs	15	No Change		
5	Failure to achieve the College Climate Change Action Plan and carbon reduction targets	Environmental impacts Financial impacts Failure to meet needs of customer base through carbon training/ carbon literacy Reputational risk Stakeholder relationships	5	5	25	i) College Climate Change Action Plan in place ii) Carbon reduction target set over life of the climate change plan iii) College Climate Change group established and meets regularly iv) Glasgow Clyde College signed up to Race to Net Zero pledge v) Carbon emissions data monitoring by campus on quarterly basis vi) Plans being developed to reduce utilities consumption through enhanced monitoring and targeted investment vii) Carbon literacy training for staff and students being developed viii) Plan to incorporate sustainability into wide range of College courses ix) Membership of Regional Green Team x) Annual Participation in Global Goals teach In	3	3	9	Lower than Risk Appetite (Minimalist)	1 - Inspirational Learning and Teaching 5 - Financial Resilience through Operational Excellence	Vice Principal Resources & College Development	Sustainability KPIs measure	9	No Change		

Risk Ref	Risk Description - Risk Cause	Potential Consequences	Risk Score Before Mitigating Actions			Mitigating Actions	Risk Score After Mitigating Actions				Link to Strategic Theme(s)	Risk Owner	Links to KPIs (to be completed for future reporting)	Previous score at last report to Board	Increasing/Decreasing			
			Probability	Impact	Risk Score		Probability	Impact	Risk Score	Score compared to College risk appetite (see key above)								
6	Failure to deliver full range of support for all staff including for their health and well being.	Absenteeism Impact on student experience Impact on quality of service Low staff motivation Possible backfill costs Reputational risk	3	4	12	i) Modules on wellness available to staff via the VLE ii) Sessions held during staff development days iii) Employee assistance programme iv) Support for work life balance arrangements v) Commitment to blended working vi) College Healthy Working Lives Group and related activities for staff vii) Occupational health reviews viii) Creation of some staff networks being considered ix) Active campus officer commencing in September x) College Help At Hand service for staff	3	3	9	Lower than Risk Appetite (Minimalist)	3 - Unrivalled Student Experience 4 - Employer of choice 5 - Financial Resilience through Operational Excellence	Assistant Principal HR	Health and Wellbeing and Training KPIs measures	9	No change			
7	Not achieving target levels of student success through retention, attainment and progression	Low pass rates Impact of action short of strike on measuring attainment Reputational risk Sustainability risk through low internal progression Financial risk e.g. Modern Apprenticeships Employer relationship risk	4	4	16	i) Effective use of data to monitor student attendance and attainment ii) Implementation of more effective interventions in relation to "at risk" factors for student retention iii) Providing effective advice and guidance for students iv) Providing effective monitoring of evaluation measures by course teams v) Provision of highly effective inspiring and engaging learning and teaching approaches vi) Provision of formative and summative assessment approaches vii) Effective student feedback mechanisms viii) Digital access to learning and teaching materials to support learning through use of the VLE	3	3	9	Lower than Risk Appetite (Minimalist)	1 - Inspirational Learning & Teaching 3 - Unrivalled Student Experience	Deputy Principal	Student Experience KPIs	9	No change			
8	Risk of not having culture of effective, capable leaders who are motivated and have ability to take staff with them.	Not developing College leadership skills Not delivering on strategic themes Failure to deliver on values Potential legal action Reputational risk Loss of key expertise Lack of scrutiny across strategic areas of the College Failure to achieve College mission and vision Tension arising from necessary actions to address College financial challenges	4	5	20	i) CPD for managers and leaders at all levels of the organisation ii) Leaders well sighted on any issues and escalate them if required iii) College Leadership Charter and Leadership Framework in place iv) Personal Development Review/Plan process for all College managers and their staff v) Effective modelling of leadership styles vi) Provision of advice and training to encourage resilient leaders vii) College networks to create sense of community viii) Appropriately qualified, skilled and experienced staff in key positions ix) Support for managers through FE & HE sponsorship x) Satisfied that have appropriate health, safety and safeguarding arrangements in place xi) Effective Board members who are engaged with the College	3	3	9	Lower than Risk Appetite (Minimalist)	3 - Unrivalled Student Experience 4 - Employer of choice 5 - Financial Resilience through Operational Excellence	Assistant Principal HR	Development & Training and Staff Recruitment & Retention KPIs	9	No change			
9	Failure to recruit, retain and maintain effective and skilled leaders, teaching and support staff	Retention and attainment Failure to achieve ROA targets Unfilled vacancies leading to workload issues for others Inability to deliver core services	3	4	12	i) Identifying and strengthening the key staff skills that are based on evidence, practice, and employment driven skills and in terms of future needs ii) Ensuring that we have the curriculum, leadership, expertise, resources, space and time for staff to develop these skills iii) Delivery of a professional pathway and professional development iv) Bespoke comprehensive programme for CMs support & research & dev programme v) College Strategic Theme of Employer of choice with attractive overall terms and conditions e.g. pension schemes, work life balance vi) Further & higher education sponsorship programme vii) Learning development days for staff viii) DELTA developing ELearning skills for staff to deliver effective on line learning & teaching ix) Learning and teaching strategy in place with key development areas x) Ensure all new teaching staff undertake appropriate induction xi) Plan to implement effective peer observation and sharing of practice xii) Review particular curriculum areas where market forces may impact on staff retention	3	3	9	Lower than Risk Appetite (Averse)	1 - Inspirational Learning & Teaching 3 - Unrivalled Student Experience 4 - Employer of Choice	Assistant Principal Quality & Performance, Assistant Principal HR	Development & Training and Staff Recruitment & Retention KPIs	6	Increasing			
10	Failure to provide a smooth effective pre-entry experience for College students and in College student experience	Low student recruitment Poor student experience Reputational risks Retention and attainment impacts Loss of students to other providers Failure to deliver ROA targets	4	4	16	i) Ensure faculty staff get right students on right subject area at the right level ii) Responsive and timely admissions service, student funding, and student advice and guidance services iii) Providing students with appropriate digital support iv) Providing student support funding services including discretionary and hardship funding based on individual economic circumstances v) Ensure awareness of financial and pastoral support for students vi) Ensuring that students meet the minimum entry requirements and skills levels for courses and those skills will then be developed as they progress through their course vii) Quality and accuracy of marketing materials providing information to students to make right course choices. Effective and accurate communication to students prior to course during keep warm phase and through onboarding process viii) Systematically generate, analyse and action meaningful student feedback. ix) Providing accessible and inclusive student support services x) Collaboration between teaching and support teams to ensure improvements and efficiencies are delivered where possible across College business processes and to provide effective quality services for students	2	3	6	Lower than Risk Appetite (Averse)	2 - Partner of choice 3 - Unrivalled student experience	Assistant Principal Quality & Performance, Curriculum Assistant Principals	Student Experience ns Student Performance KPIs	6	No change			
11	Failure to maintain and develop appropriate accessible, dynamic, flexible learning and social spaces which is fit for purpose for teaching and learning and staff working environment. On-going investigations are taking place into the use of RAAC in the construction of buildings on Cardonald and Langside campuses.	Failure to recruit Retention impacts Reputational risk Less content students and staff	4	4	16	i) Provision of inspiring spaces for study and socialising. Learning spaces project planned although funding and projects rephased. ii) Maintenance of the physical environment iii) Capital masterplan in place and related to need/estates condition survey. SFC funding for very high priority items allocated by GCRB to College. iv) Provision of attractive well maintained flexible indoor and outdoor spaces v) Work with GCRB, SFC and GCEF to ensure fully informed estates investment vi) Provision of appropriate locations for independent study vii) Work with GCCSA in developing and promoting use of student spaces viii) Explore potential for range of stakeholders to utilise College campus facilities ix) Survey works are underway at the request of the SFC to establish if RAAC is present and if so it condition. RAAC has been located in two areas of the Cardonald campus and in areas where it is cause for concern they have been closed until investigations by a structural engineer are complete	4	4	16	Lower than Risk Appetite (Averse)	1 - Inspirational Learning & Teaching 3 - Unrivalled Student Experience	Vice Principal - Resources & College Development	Student Experience KPIs	4	Increasing			

Risk Ref	Risk Description - Risk Cause	Potential Consequences	Risk Score Before Mitigating Actions			Mitigating Actions	Risk Score After Mitigating Actions				Link to Strategic Theme(s)	Risk Owner	Links to KPIs (to be completed for future reporting)	Previous score at last report to Board	Increasing/Decreasing			
			Probability	Impact	Risk Score		Probability	Impact	Risk Score	Score compared to College risk appetite (see key above)								
12	Failure to ensure the College is delivering the right curriculum portfolio to meet students and employers demand, and economic needs	Not meeting credit target Low retention Reputational risk Negative impact on College finances Not achieve College financial plan Not maintain financial sustainability Diminishing relevance of commercial course areas Failing to meet the needs of the economy Failure to meet ROA targets	3	4	12	i) Assessment annually to match portfolio to economic needs/changes including emerging priorities e.g. environmental education. Reduced SFC credit allocation in 23/24 may impact on ability to meet all needs. ii) Annual review of portfolio also to ensure an accessible and inclusive curriculum (including digital provision) iii) Facilitating strong team of curriculum leadership group who are prepared and focus on evaluation to drive change iv) Raise commercial awareness with faculty staff and significant emphasis on commercial opportunities for faculties v) Revised commercial income/surplus plan for 22/23 to 24/25 vi) Effective digital marketing used with analytics to drive promotion of commercial courses vii) Maintain strong partnership working with universities with high level of retention and progression viii) Maintain strong partnership working with schools in the delivery of the schools curriculum portfolio ix) Deliver a responsive apprenticeship and upskilling and reskilling course portfolio x) Effective working with disadvantaged communities in relation to curriculum design xi) Monitor feedback from students, employers and other stakeholders on student experience	3	2	6	Lower than Risk Appetite (Averse)	1 - Inspirational Learning & Teaching 2 - Partner of Choice 5 - Financial resilience through operational excellence	Deputy Principal	Student Performance KPIs	4	Increasing			
13	Failure to have data available to effectively inform operational and strategic decision making	Poor management decision making Inefficient and ineffective operations Failure to achieve financial sustainability Failure to meet ROA targets Unresponsive to trends Reactive rather than proactive Poor horizon scanning ability Reputational risk	3	4	12	i) Accurate and timely reporting mechanisms for key business systems ii) Integration of data from multiple sources into accessible formats iii) Business process reviews regularly undertaken iv) Regular systematic reporting of student and staff data and key business metrics to improve decision making v) Development of dashboard reporting through enhanced use of Power BI vi) Data Protection Officer in place to advise on General Data Protection Regulation/ Data Protection matters.	2	2	4	Lower than Risk Appetite (Averse)	3 - Unrivalled Student Experience 5 - Financial Resilience through Operational Excellence	Vice Principal Resources & College Development / Deputy Principal	Student Performance and Resource Utilisation KPIs	4	No change			



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**FINANCE & RESOURCES COMMITTEE MEETING**


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<b>Date of Meeting:</b>	4 October 2023
<b>Paper Title:</b>	Audit Scotland Report: Scotland's Colleges 2023
<b>Action:</b>	Information
<b>Prepared by:</b>	Jon Vincent, Principal and Chief Executive
<b>Agenda Item:</b>	23.40
<b>Status:</b>	Disclosable

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**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to provide Finance & Resources Committee members with the key headlines messages from the recently publish Audit Scotland Report: 'Scotland's Colleges 2023'.

**2. ACTION FOR THE COMMITTEE**

- 2.1 Finance & Resources Committee members are requested to note the content of the Audit Scotland Report: 'Scotland's Colleges 2023' published on 7 September 2023

**3. BRIEF BACKGROUND INFORMATION:****Key Findings of Audit Scotland Report: 'Scotland's Colleges 2023'**

- 3.1 Audit Scotland published its Annual Report on the College sector in Scotland on Thursday 7 September 2023.
- 3.2 Key messages contained in the Report are:
- Scotland's colleges are vital to learners and local communities. Risks to the college sector's financial sustainability have increased since they last reported in 2022. Rising staffing costs are Colleges' biggest financial pressure;
  - the Scottish Government's funding for the sector has reduced by 8.5 per cent in real terms between 2021/22 and 2023/24, while the sector's costs have increased. Effective, affordable workforce planning is now a greater than ever priority and challenge for Colleges; and
  - significant changes to how the College sector operate have been recommended by recent reviews. However, the Scottish Government and the Scottish Funding Council (SFC) urgently need to build on their ongoing work to help Colleges to plan for change now and make best use of available funding so that they are sustainable for the future.
- 3.3 Themes highlighted in the Report are:
- 3.3.1 ***Financial Sustainability***

Audit Scotland has identified that the risks to the College sector's financial sustainability have increased since their previous report in 2022, in which they

reported that change was needed to ensure the sector's financial sustainability in the long term. It is advised that the sector reported an adjusted operating surplus of around £8 million in AY 2021/22, considerably less than its surplus of £19.3 million for the previous year. Audit Scotland is of the view that the anticipated reduction in the surplus is partly due to increases in staff costs, reflecting the impact of the sector's pay award in AY 2021/22 and some additional recruitment as well as rising inflation, fuel costs and other pressures. With regards to Scottish Government funding, Audit Scotland has noted the revenue funding for the College sector comprising £675.7 million in each of 2021/22, 2022/23, and 2023/24, and has advised that "After taking account of inflation, this represents a reduction in real terms of 8.5 per cent from 2021/22 to 2023/24". Grant funding provided via the SFC accounted for around three quarters of the college sector's total income in AY 2021/22.

### 3.3.2 **Staff Costs**

The report notes that rising staff costs are Colleges' biggest financial pressure, with staff costs accounting for more than two-thirds (around 70%) of the sector's expenditure in AY 2021/22, whilst staff pay awards remain a pressure on College finances.

### 3.3.3 **Infrastructure**

Audit Scotland makes clear that "Without investing in maintenance, Colleges risk their estate becoming a worsening environment for learning" and that "Emerging issues around Reinforced Autoclaved Aerated Concrete will only add to this pressure".

### 3.3.4 **Significant Areas of Risk for Colleges**

Audit Scotland also articulate a cross-section of the numerous risks affecting Colleges, composed of the following:

- inflation, interest rates and energy costs;
- the investment required to achieve public sector net zero targets, especially in relation to the College estate;
- investment required to invest in digital;
- difficulties in attracting and retaining students and staff;
- the requirement for colleges to self-fund staff restructuring and voluntary severance package costs;
- competition from private sector training providers;
- competition from some universities;
- the challenges of raising income from non-teaching activities; and
- the impact of cost efficiencies on staff wellbeing and the student experience.

### 3.3.5 **Education Reform Agenda**

Audit Scotland is of the view that the recent reviews associated with the Education Reform Agenda bring both challenges and opportunities for the Scottish Government, and they advise that there are questions about what can realistically be achieved in the short term and what may require a longer timescale, possibly involving new legislation. Against the context of reform, Audit Scotland has recommended that "The Scottish Government and the SFC urgently need to build on their ongoing work with Colleges and help them become sustainable now, while structural arrangements at a national level evolve". In particular, Audit Scotland is

clear that it is “critical for the Scottish Government to work with the SFC during AY 2023-24 to support Colleges in planning for change now and making best use of available funding”. The role of Colleges in delivering the Scottish Government ambitions of Equality, Opportunity and Community is also touched on, with it being noted that “A significant reduction in a College’s range of courses, student capacity, or its closure altogether could have an unequal impact on students from more deprived areas, plus ramifications for the wider community”. Audit Scotland believes that “Policy and structural changes by the Scottish Government have the potential to improve Colleges’ operating environment but Colleges face daunting challenges now to their business models and finances” and that “Addressing the challenges facing the College sector cannot be avoided or postponed”.

#### **4. SUPPORTING DOCUMENTATION**

- 4.1 Annex 1: Audit Scotland Report: Scotland's Colleges 2023.

#### **5. RISKS**

- 5.1 There are no risks associated with the publication of this report for Glasgow Clyde College.

#### **6. ANY OTHER SIGNIFICANT IMPACT eg STUDENT EXPERIENCE/LEGAL/FINANCIAL/EQUALITY & DIVERSITY**

- 6.1 None.

# Scotland's colleges 2023

A briefing paper



AUDITOR GENERAL 

Prepared by Audit Scotland  
September 2023



# Key messages

- 1** Scotland's colleges are vital to learners and local communities. Risks to the college sector's financial sustainability have increased since we reported in 2022. Rising staffing costs are colleges' biggest financial pressure.
- 2** The Scottish Government's funding for the sector has reduced by 8.5 per cent in real terms between 2021/22 and 2023/24, while the sector's costs have increased. Effective, affordable workforce planning is now a greater than ever priority and challenge for colleges.
- 3** Significant changes to how the college sector operates have been recommended by recent reviews. However, the Scottish Government and the Scottish Funding Council urgently need to build on their ongoing work to help colleges plan for change now, and make best use of available funding so that they are sustainable for the future.

## Accessibility

You can find out more and read this report using assistive technology on our [website](#).

For information on our accessibility principles, please visit: [www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility).

# Scotland's colleges have a vital role

## Colleges provide valuable learning and facilities, support economic growth and help people achieve wider outcomes

**1.** Scotland's colleges offer academic and vocational courses to develop people's skills and knowledge for work, continued study or general interest. Students can choose to study full-time, day release, evenings, block release or on an open learning basis. The courses that college students undertake contribute not only to their own development but also to Scotland's sustainable economic growth. Colleges are valuable hubs whose facilities may also be used for local community purposes, including as meeting spaces and sports venues.

## There are different types of colleges

**2.** Of the 24 colleges in Scotland, 22 sit in college regions that have one or more colleges. Nineteen colleges are classed as 'incorporated' and are public bodies that are subject to audit by the Auditor General for Scotland (AGS). As public bodies, incorporated colleges are not permitted to retain reserves at the end of their financial year. The five unincorporated colleges (**shown in bold in Exhibit 1 (page 4)**) are not audited by the AGS and have a range of constitutional arrangements. Two establishments are outside colleges' regional arrangements. **Sabhal Mòr Ostaig** offers further and higher education opportunities through the medium of Scottish Gaelic. **Newbattle Abbey College** is an unincorporated residential college that caters largely for students returning to education in adulthood. In addition, **Scotland's Rural College** is a higher education institution that contributes to the national target for colleges.

**3.** On 1 August 2023, UHI North Highland and UHI Lews Castle, both of which were incorporated, merged with each other and with UHI West Highland, which was previously unincorporated. The new, merged college is known as UHI North, West and Hebrides. It is expected to be assigned to the University of the Highlands and Islands (UHI) and incorporated. This merger is designed to create an institution of scale which will improve sustainability and create benefits for students, staff and stakeholders across a wide region of Scotland.

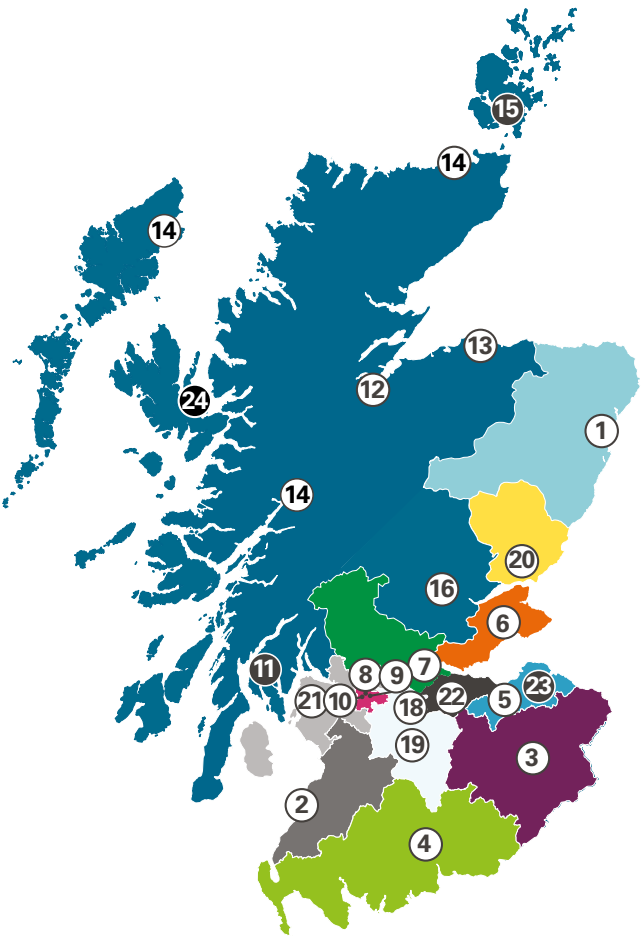
**4.** This briefing paper draws on our analysis of auditors' annual audit reports (AARs) about incorporated colleges.

# Exhibit 1.

## Scotland’s colleges as at 1 August 2023

The colleges not listed in bold are subject to audit by the Auditor General.

- College – incorporated, audited by AGS
- **College – unincorporated, not audited by AGS**



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
	<b>11 UHI Argyll</b>
Highlands and Islands	12 UHI Inverness
	13 UHI Moray
	14 UHI North, West and Hebrides
	<b>15 UHI Orkney</b>
	16 UHI Perth
	<b>17 UHI Shetland</b>
	18 New College Lanarkshire
Lanarkshire	19 South Lanarkshire College
Tayside	20 Dundee and Angus College
West	21 West College Scotland
West Lothian	22 West Lothian College
n/a	<b>23 Newbattle Abbey College</b>
n/a	<b>24 Sabhal Mòr Ostaig</b>

Source: Audit Scotland

## **The Scottish Government has a central role in setting policy and funding the college sector**

**5.** The Scottish Government sets national policies for learning and provides over three quarters of the college sector's funding, through its financing of the Scottish Funding Council (SFC). It does this in financial years (FY) that run from April to March.

**6.** The SFC works with colleges to set thresholds for the amount of course provision that colleges should deliver and provides the funding to each college, or regional strategic body in multi-college regions. It does this to fit with the college sector's academic year (AY) from August to July. A regional strategic body allocates funding to the colleges within its area. The SFC holds colleges and regions to account for what they deliver through Outcome Agreements. These set out what colleges plan to deliver in return for their funding from the SFC. Its Outcome Agreement Managers work with each college to develop their individual Outcome Agreement.



# Risks to the college sector's financial sustainability have increased

## In 2022, we reported that change was needed to ensure the sector's financial sustainability in the long term

**7. Scotland's colleges 2022** drew on colleges' accounts for AY 2020-21 and concluded that it will be difficult for colleges to balance delivering high-quality learning at the volume expected while contributing to other Scottish Government priorities. We said change was needed to ensure more students are successful; and also that the Scottish Government and the SFC should support colleges to plan for change now to make best use of available funding and ensure the sector is financially sustainable in the long term.

## Risks to the sector's financial sustainability have increased since then

**8.** Auditors' AARs on incorporated colleges for AY 2021-22 highlighted sustained risks to colleges' financial sustainability, and an increased level of risk in most of them.

**9.** The SFC requires a college to report its adjusted operating position (AOP), to reflect its underlying operating performance after allowing for material one-off or distorting matters outside its control. This helps to assess a college's underlying financial strength and to provide figures which are readily comparable among colleges.

**10.** The sector reported an adjusted operating surplus of around £8 million in AY 2021-22. The SFC has not yet concluded its assessment of the sector's finances for AY 2021-22. While early analysis indicates that the sector's adjusted operating surplus is slightly better than forecast, the surplus for AY 2021-22 is likely to be considerably less than its surplus of £19.3 million for the previous year.

**11.** The anticipated reduction in the surplus is partly due to increases in staff costs, reflecting the impact of the sector's pay award in AY 2021-22 and some additional recruitment as well as rising inflation, fuel costs and other pressures. Other operating costs increased by around £10 million (six per cent) on AY 2020-21 levels. The return to campus activity – following

the impact of the Covid-19 pandemic – saw an increase in teaching, teaching support and administration costs plus increased catering, student residence and utilities costs. More colleges reported an adjusted operating deficit in AY 2021-22 than in AY 2020-21.

## Rising staffing costs are colleges' biggest financial pressure

**12.** Staff costs accounted for more than two thirds (around 70 per cent) of the sector's expenditure in AY 2021-22. Changes to their staffing are one of the main levers for colleges to manage their costs. Staff pay awards remain a pressure on college finances. Trade unions are continuing to pursue their pay claim for AY 2022-23. Employers' pension contribution costs are increasing. The outcome of a job evaluation exercise for support staff will also increase staff costs when completed.

**13.** Colleges have already sought voluntary redundancies to reduce their staff costs. While final figures for the sector are not yet available, we know that many colleges have spent money on staff restructuring costs – that mainly involve voluntary redundancies – to help save money in the longer term. The SFC reported that there were no compulsory redundancies during AY 2021-22. Some colleges anticipate the need for further, significant staffing reductions which could severely erode their ability to deliver a viable curriculum.

**14.** Glasgow Kelvin College has indicated that it may need to reduce its workforce by 21 per cent from AY 2022-23 to AY 2024-25. Ayrshire College, in preparing its 2022 financial forecast, also calculated a set of financial projections using an alternative, more pessimistic planning scenario (compared to the planning assumptions provided by the SFC). This scenario found the college may need to lose 70 per cent of its staff over a five-year period – a scenario in which it could no longer function.

**15.** All colleges provided updated financial forecasts to the SFC at the end of June 2023 along with additional planning scenarios that they considered appropriate for their operating environment and circumstances. The updated forecasts and additional planning scenarios supersede the 2022 equivalents. These are currently being reviewed by the SFC.

**16.** The strategic workforce pressures facing the college sector are more challenging than before, as colleges seek to reduce their costs. Some colleges have said that they are considering implementing compulsory redundancies. In June 2023, the Minister for Higher and Further Education and Minister for Veterans [informed](#) the Scottish Parliament's Education, Children and Young People Committee that he had written to all college principals to '[reiterate the importance the Scottish Government places on the use of fair work practices in the college sector ... My officials are engaging with the SFC to build a picture of the scale of redundancies facing the sector and whether there is any impact on provision.](#)' In July 2023, the Minister [wrote](#) to the Committee, indicating that colleges should only seek compulsory redundancies as a last resort and should notify the SFC of such intentions.

## Colleges also have other pressures

**17.** Without investing in maintenance, colleges risk their estate becoming a worsening environment for learning. [Scotland's colleges 2022](#) noted that capital funding for the college sector was £321 million short of requirements for lifecycle and backlog maintenance, and that capital funding from the Scottish Government, administered through the SFC, had consistently fallen short of the level colleges have needed.

**18.** The SFC developed the [College infrastructure strategy](#) for 2023-33 in consultation with the sector and it recognises the urgent need for significant investment in the college estate. The Scottish Government increased the sector's capital funding from £74.7 million in FY 2022/23 to £82.4 million in FY 2023/24. After taking account of inflation, this represented an increase of 7.6 per cent in real terms. Recognising the increasing number of urgent calls for assistance on repairs/works of a health and safety or business continuity nature, the SFC set aside £4.7 million in AY 2023-24 to support the sector. The SFC received expressions of interest to a value of approximately £20 million and is currently triaging these to a shortlist to fit the budget. Emerging issues around Reinforced Autoclaved Aerated Concrete will only add to this pressure.

**19.** Numerous colleges have highlighted impacts from the Covid-19 pandemic on their financial position and sustainability. These include reductions in their non-SFC income sources in AY 2021-22 due to pandemic-related restrictions, such as constraints on pursuing commercial opportunities. Other risks are summarised in [Exhibit 2](#).

## Exhibit 2.

### Significant areas of risk for colleges

This is a cross-section of the numerous risks affecting colleges.

- Inflation, interest rates and energy costs.
- The investment required to achieve public sector net zero targets, especially in relation to the college estate.
- Investment required to invest in digital.
- Difficulties in attracting and retaining students and staff.
- The requirement for colleges to self-fund staff restructuring and voluntary severance package costs.
- Competition from private sector training providers.
- Competition from some universities.
- The challenges of raising income from non-teaching activities.
- The impact of cost efficiencies on staff wellbeing and the student experience.



# Colleges rely heavily on Scottish Government funding

**20.** The Scottish Government's budget works in financial years (FY) that run from April to March, such as April 2022 to March 2023. The Scottish Government has budgeted revenue funding for the college sector comprising £675.7 million in each of 2021/22, 2022/23 and 2023/24. After taking account of inflation, this represents a reduction in real terms of 8.5 per cent from 2021/22 to 2023/24.

**21.** The SFC uses the Scottish Government's funding to provide grants to colleges within their academic year (AY) that runs from August to July. This means that a college year spans two years of the Scottish Government's budget. For example, the college sector's AY 2022-23 year spanned the Scottish Government's financial years FY 2022/23 and FY 2023/24. The SFC has set a college revenue budget for AY 2022-23 of £675.3 million, a reduction of £36.5 million (5.1 per cent) from AY 2021-22.

**22.** Grant funding provided via the SFC accounted for around three quarters of the college sector's total income in AY 2021-22. One college relied on the SFC for less than half its income (Sabhal Mor Ostaig). All other colleges relied on the SFC for more than half their income, including seven that obtained over three quarters of their income from the SFC. Colleges' main source of non-SFC income was tuition fees and education contract income, with other income-generating activities, including catering, making up the bulk of the balance.

# Significant changes lie ahead

## The Scottish Government recognises that changes are needed

**23.** Several national reviews have recently recommended major changes that would affect the college sector, and these sit alongside other significant developments ([Exhibit 3](#)). They all bring both challenges and opportunities for the Scottish Government. There are questions about what can realistically be achieved in the short term and what may require a longer timescale, possibly involving new legislation.

### Exhibit 3. Recent major developments affecting the college sector These bring challenges and opportunities.



**29 June 2021**

The SFC's [review of tertiary education and research](#) included a recommendation to the Scottish Government that there should be more flexibility in how colleges are funded.



**7 June 2023**

The Withers [review of the post-school learning system](#) urged the Scottish Government to think creatively about how to secure the sustainability of the post-school skills delivery system. It included a recommendation that the Scottish Government should redesign the process for how funding of all learning and training provision, including apprenticeships, is allocated to ensure it is prioritised to deliver strategic outcomes and best value for public investment. It also recommended the establishment of a single funding body and parity of esteem between colleges and universities.



**22 June 2023**

The Hayward [review of qualifications and assessment](#) will have implications for the qualifications that colleges consider when selecting students and employees, and for the courses that colleges provide.



**28 June 2023**

The Scottish Government's [Purpose and Principles for post-school education, research and skills](#) includes a target outcome that the system is 'financially and environmentally resilient; trusted to deliver, and subject to effective governance'. The programme of reform, signalled through the Scottish Government's [Initial priorities for implementation](#) and the Purpose and Principles, outlines the key actions that the Scottish Government will be taking forward to deliver on the vision and outcomes it has set for the system.

**24.** In May 2023, the Scottish Parliament's Education, Children and Young People (ECYP) Committee **concluded** that 'If additional funding is unavailable, and flexibility within current funding arrangements is also not forthcoming, then the Scottish Government and the Scottish Funding Council need to provide colleges with a clear steer on what they should be prioritising.'

**25.** In June 2023, the Scottish Government took some initial steps in response to these developments:

- It **advised** the Scottish Parliament's ECYP Committee that it had 'heard loud and clear the calls for reform and won't shy away from decisions which will deliver better services for learners and employers and simplify the operating environment for our colleges, universities and training providers.'
- It **advised** the ECYP Committee that it is considering ways to give colleges more financial flexibility. It also **asked** the SFC to play an active role in helping colleges to use their funding allocations more flexibility; and to intervene in the sector where necessary.
- It **announced** that it plans to take over national responsibility for skills planning, and that there will be a new national model of public funding for all colleges, universities, apprenticeships and training.

**26.** The SFC has introduced a new funding distribution model and associated guidance for AY 2023-24. This is to provide colleges with enhanced flexibility and greater opportunity to decide how best to respond to local, regional and national needs. The Scottish Government is exploring the potential for further changes in colleges' funding arrangements.

## **The Scottish Government and the SFC urgently need to build on their ongoing work with colleges and help them become sustainable now, while structural arrangements at a national level evolve**

**27.** Overall, 25.5 per cent of school leavers went into further education at college in AY 2021-22, compared to 35.6 per cent from the most deprived areas (Scottish Government **statistics**, February 2023). These figures exclude school leavers undertaking a higher education course in a college. Colleges therefore play a vital role in providing people, particularly those from more disadvantaged areas, with the training, qualifications and life-skills that can help them to succeed in life and make a valuable contribution to society. More widely, colleges also contribute to achieving the Scottish Government's three national 'missions':

### **The Scottish Government's three missions**

- 1 Equality:** tackling poverty and protecting people from harm.
- 2 Opportunity:** a fair, green and growing economy.
- 3 Community:** prioritising our public services.

**28.** A significant reduction in a college's range of courses, student capacity, or its closure altogether could have an unequal impact on students from more deprived areas, plus ramifications for the wider community. In many rural, remote and island communities, there is no alternative college nearby.

**29.** Policy and structural changes by the Scottish Government have the potential to improve colleges' operating environment but colleges face daunting challenges now to their business models and finances. For example, colleges need to maintain and, if possible, enhance the learning they provide and improve outcomes for their students. At the same time, they are managing complex change across the college sector and considerable strain on their finances.

**30.** Addressing the challenges facing the college sector cannot be avoided or postponed. While recognising the role of college leadership teams in managing their finances, it is also critical for the Scottish Government to work with the SFC during AY 2023-24 to support colleges in planning for change now and making best use of available funding. This should help to secure colleges' future while the Scottish Government considers its response to the reviews featured in [Exhibit 3 \(page 10\)](#), and the funding it allocates to the sector.

## Next steps

**31.** We report annually on the audits of Scotland's incorporated colleges. We will continue to monitor and report on developments across the sector as their impacts become clearer.

# Scotland's colleges 2023

A briefing paper



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## Finance & Resources Committee Schedule of Work 2023/24

<b>STANDING ITEMS</b>
<b>For Discussion/Decision</b>
Key Performance Indicators
Estates, Capital Expenditure & Masterplan Update
Commercial & External Funding Update Outturn 2023/24
Restructure Update (if required)
Savings Plan Report (if required)
<b>For information/Noting</b>
Glasgow Clyde Education Foundation Update
College Strategic Risk Register – Financial Risks
Any relevant SFC or other publications
Committee Remit and Schedule of Work
<b>4 OCTOBER 2023</b>
<b>For Discussion/Decision</b>
Draft Primary Financial Statements for y/e 31 July 2023
2023/24 Budget Update
Update on Draft Five Year Plan
2023/24 SFC Financial Forecast Return ( <i>depends on SFC timescales</i> )
<b>30 NOVEMBER 2022</b>
<b>For Discussion/Decision</b>
Draft Financial Statements for y/e 31 July 2023
Financial Report – Year to October 2023 and Forecast to July 2024
Tuition Fee Approval
<b>15 MARCH 2023</b>
<b>For Discussion/Decision</b>
Financial Report – Year to January 2024 and Forecast to July 2024
SFC Indicative Funding Allocation for 2024-25
Update on Draft Five Year Plan
Annual Procurement Update
<b>7 June 2023</b>
<b>For Discussion/Decision</b>
Financial Report – Year to April 2024 and Forecast to July 2024
Draft Revenue Budget for 2024-25
Financial Forecast Return