Dear John

Thank you for your attendance at the Education and Skills Committee last week. The Official Report of the meeting has been published and can be found here: http://www.parliament.scot/parliamentarybusiness/report.aspx?r=10635

During the meeting you indicated that you would provide the Committee with additional information on how depreciation is accounted for in colleges compared to other parts of the public sector and also details of the SFC’s preparation of medium to long term budgets. Relevant extracts of the Official Report are included in the Annexe to this paper and I would be grateful for a response by Wednesday 7 December 2016.

In addition to providing supplementary information, the Committee would ask you to reflect on the exchanges relating to the Auditor General’s submission. Whilst on distinct topics, a theme of these contributions was perhaps an appreciation in hindsight of the value of the conclusions from Audit Scotland’s work, specifically on colleges. The Committee considers that it is worth noting the value of the involvement of Audit Scotland in identifying means by which public bodies can improve. The Committee considers that active engagement from the SFC with Audit Scotland in implementing its colleges and universities report findings will maximise the benefits of this process for your organisation and, by extension, for colleges and universities.

Yours sincerely

JAMES DORNAN MSP
CONVENER
Extracts from the Official Report

Depreciation in the public sector

- Colin Beattie:
  On a small point of clarification, the submission talks about “Professional accounting practice”, but is it the same professional accounting practice across the whole public sector?

- Lorna MacDonald:
  It is the recommended practice for further education and higher education institutions.

- Colin Beattie:
  Is that different from the practice in other sectors?

- Lorna MacDonald:
  Yes. For instance, other charities would have to apply the charities statement of recommended practice, but colleges and universities have to apply the further and higher education SORP.

- Colin Beattie:
  How does that differ from the way in which other public sector budgets are handled?

- Lorna MacDonald:
  It is considerably different from the normal Government accounting and accounts. Indeed, there is to be a further change in the SORP, which, I am sad to say, will make the interpretation of accounts more confusing. However, going forward, we collectively have to improve the communication of the underlying message.

- Colin Beattie:
  Obviously, it is a concern if we cannot compare one area of the public sector with another. Would it be possible for you to encapsulate on one page what the significant differences are and how the education budget would differ if it was in another area of the public sector?

- Lorna MacDonald:
  Yes. I am happy to provide that in writing following the meeting.

Preparation of Medium to Long Term Budgets

- Tavish Scott:
  Further to Colin Beattie’s budgetary rather than regulatory points, I want to ask about Audit Scotland’s comment in its letter for today’s meeting that the SFC “does not currently prepare medium to long term budgets.”

  Why not?
Dr Kemp:
It is partly because we are currently funded year to year by the Government. The previous budget settlement was for a year, and the next one will be for a year. Before that, it was more common to have a longer time horizon, and when we have had that certainty, we have done medium and long-term planning.

I do not want to contradict the Auditor General for Scotland, but Lorna MacDonald has a huge amount of information on the rolling forward of budgets and what our strategy for the future would be. We have probably not expressed that in a way that has allowed the Auditor General to see it as a strategy. It is an issue that we need to look at.

Tavish Scott:
If I may be so bold, I suspect that the committee would really welcome that information. You have made a really good point. If you are doing the work anyway and you want to share it in some sense with us, we will support that.

Dr Kemp:
That is good.

The Convener:
Colin Beattie also asked for clarification on accounting practice. You might well want to pull all that stuff together and send it to the committee.

Dr Kemp:
Yes, I will.

Responses to Auditor General for Scotland evidence (this is in addition to the exchange above on strategic planning / medium to long term budgets)

College Governance

Tavish Scott: Colin Beattie and I spent an inordinate amount of time on college governance in the Public Audit Committee in the previous parliamentary session, so you will understand why I ask a question about the issue. Under the heading “College governance”, the Auditor General’s letter to the committee states: “The SFC’s role in regulating college governance is not clear.” The obvious question is why.

Dr Kemp: That is a question for the Auditor General. I perceive her to mean—I followed this up with her staff when they were writing the report—that, with regard to some of the failings in college governance over the past couple of years, it had not been clear exactly what our role was, as opposed to the role of others, and how we should have handled the situation. Since the events at Coatbridge and North Glasgow colleges, the Government has established a good governance group and we have been working with other stakeholders on clarifying our role. I hope that, as that is worked through, our role will become clearer.
Measuring the benefits of the merger process

Daniel Johnson: Colleges have probably seen the biggest changes in the tertiary education sector. I note with some concern the comments that were made in the Audit Scotland report on colleges in the summer but also the Auditor General’s comments that were supplied to us before the meeting about measuring the benefits of the college merger process. She says in her letter that there have been issues in fully measuring “whether the merger programme delivered all of the expected benefits.”

What are your reflections on that point? Will we be able to determine whether the benefits have been delivered and whether the merger process has been successful?

11:15

Dr Kemp: We published a report reflecting on the post-merger evaluations that we have done of all the mergers. We did the two-year ones of all of them earlier this year and we published a summary report measuring the progress against the stated aims of the mergers in the plan at the time. The Auditor General’s point, which I think is a valid one, is that there are other baselines that could have been used at the time and from which we could have tracked things forward. At the time, we did not have some of the data on college leaver destinations that we have now, so we could not have used that for baselines.

I take the Auditor General’s point that we should perhaps have been clearer in stating some of the other things at the time—what the aim was for some of the measures. For the ones that existed at the time and that exist now, we tracked things such as retention and success rates at colleges as part of our post-merger evaluation. That was not explicitly set out as an aim of the mergers programme, but we have tracked the impact of the merger programme. To talk about the impact of the merger programme is perhaps overstating it, because we do not know what affected success rates over that time. It is not clear. However, we are able to track quite a lot of the baselines. It comes back to the point that it would generally be good to have more data so that we can measure success. We have quite a lot of it, but those things were not explicitly stated as part of the merger programme.

Daniel Johnson: The Auditor General is making a much balder point than that. She is essentially saying that the Scottish funding council and the Scottish Government have not publicly set out when the benefits of the college mergers will be achieved and how they will be measured. She is specifically saying that there is incomplete baseline data.