The Committee will meet at 9.00 am in the Adam Smith Room (CR5).

1. **Declaration of interests:** Angela Constance will be invited to declare any relevant interests.

2. **Decision on taking business in private:** The Committee will decide whether to take items 4 and 5 in private.

3. **Scotland's colleges 2018:** The Committee will take evidence on the Auditor General for Scotland's report entitled "Scotland's colleges 2018" from—
   
   Caroline Gardner, Auditor General for Scotland;
   
   Mark MacPherson, Senior Manager, and Mark McCabe, Audit Manager, Audit Scotland.

4. **Scotland's colleges 2018:** The Committee will consider the evidence heard at agenda item 3 and take further evidence from—
   
   Caroline Gardner, Auditor General for Scotland;
   
   Mark MacPherson, Senior Manager, and Mark McCabe, Audit Manager, Audit Scotland.

5. **Work programme:** The Committee will consider its work programme.
The papers for this meeting are as follows—

**Agenda item 3:**

Note by the Clerk

PRIVATE PAPER

**Agenda item 5:**

PRIVATE PAPER

PAPLS/S5/18/19/1

PAPLS/S5/18/19/2 (P)

PAPLS/S5/18/19/3 (P)
Public Audit and Post-legislative Scrutiny Committee

19th Meeting, 2018 (Session 5), Thursday 13 September 2018

Scotland’s colleges 2018

Introduction

1. At its meeting today, the Committee will take evidence from the Auditor General for Scotland on her report *Scotland’s colleges 2018*.

2. The Auditor General has prepared a briefing on the key messages from the report, which is attached in the Annexe.

Clerks to the Committee
10 September 2018
1. The Auditor General published her report on Scotland’s colleges 2018 on 21 June 2018. It provides an overview of the finances of the college sector in 2016-17 and aspects of performance, including student numbers, attainment and retention. It also looks at how the role of regional strategic bodies (RSBs) in the three multi-college regions are meeting the aims of regionalisation.

2. Scotland’s 20 incorporated colleges reported an overall underlying financial surplus for 2016-17 of £0.3 million, compared to an underlying deficit of £8 million in 2015-16. However, this sector-wide improvement in the financial position masks significant variations between colleges. Colleges are facing significant financial challenges, in particular the costs of harmonising staff pay and other conditions. Colleges Scotland has estimated the additional cost of harmonisation as £50 million a year from 2019-20. This would absorb all of the 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 has not yet specified funding after this, when the costs will increase significantly. The funding does not account for any cost of living increases.

3. The SFC’s 2017 estates condition survey indicates that college buildings require urgent and significant investment. It estimates a backlog of repairs and maintenance of up to £360 million over the next five years. The SFC is providing £27 million of capital funding to colleges in 2018-19 to meet the costs of the very high priority repairs identified in the survey.

4. Over the next six years, colleges are forecasting that their annual expenditure will increase faster than their annual income, with a growing financial deficit across the sector. However, differences in the assumptions used by colleges mean the forecasts 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. Colleges’ performance data shows that:
   - 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 successful full-time college leavers continue to enter positive destinations, such as training, employment and higher education.

• Student satisfaction remains high at over 90 per cent.

6. The proportion 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. Students from deprived areas are more likely to face financial barriers to attending college. Colleges are trying to tackle these barriers in a number of ways and the Scottish Government, SFC and Student Awards Agency for Scotland (SAAS) are considering the recommendations of an independent review of the student support system published in November 2017.

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 expects to see a redressing of the gender balance in other courses from 2017-18 onwards. Some college boards have significant gender imbalances in their membership that would fall short of the new statutory gender representation objective.

8. The Regional Strategic Bodies in the three multi-college regions are fulfilling their core statutory duties, but their progress in meeting the wider aims of regionalisation varies. For example, the University of Highlands and Islands (UHI) is exploring options for greater integration between four of its five incorporated colleges and the Glasgow Colleges Regional Board (GCRB) is progressing a number of regional initiatives through its regional strategy for college education. In contrast we found that the benefits of regionalisation in Lanarkshire have come mainly through the merger of its previous colleges, with little value being added by the current regional structure.