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

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

2. **The 2016/17 audit of New College Lanarkshire:** The Committee will take evidence on the Auditor General for Scotland's report entitled "The 2016/17 audit of New College Lanarkshire" from—

   Eileen Imlah, Branch Secretary, New College Lanarkshire, and Leah Franchetti, Area Officer, EIS-FELA.

3. **The National Fraud Initiative in Scotland:** The Committee will take evidence on Audit Scotland's report entitled "The National Fraud Initiative in Scotland" from—

   Fiona Kordiak, Director, Audit Services, Angela Canning, Audit Director, and Anne Cairns, Manager - Benefits (Technical), Audit Scotland.

4. **The 2016/17 audit of New College Lanarkshire:** The Committee will consider the evidence heard at agenda item 2 and take further evidence from—

   Caroline Gardner, Auditor General for Scotland;

   Mark MacPherson, Senior Manager, Audit Scotland.

5. **The National Fraud Initiative in Scotland:** The Committee will consider the evidence heard at agenda item 3 and take further evidence from—

   Fiona Kordiak, Director, Audit Services, Angela Canning, Audit Director, and Anne Cairns, Manager - Benefits (Technical), Audit Scotland.
The papers for this meeting are as follows—

**Agenda item 2**

Note by the Clerk

PRIVATE PAPER

**Agenda item 3**

Note by the Clerk

PRIVATE PAPER
Public Audit and Post-legislative Scrutiny Committee
20th Meeting, 2018 (Session 5), Thursday 20 September 2018

2016/17 audit of New College Lanarkshire

Introduction

1. At its meeting on 7 June, the Committee took evidence from the Auditor General for Scotland on the section 22 report on 2016/17 audit of New College Lanarkshire.

2. At its meeting on 28 June, the Committee took evidence from the Senior Management Team at New College Lanarkshire, the Chair of the Lanarkshire Regional Board and the interim Chief Executive of the Scottish Funding Council.

3. Following the evidence session, the Committee agreed to take evidence from staff representative organisations at New College Lanarkshire. At its meeting today, the Committee will take evidence from—
   - Eileen Imlah, EIS Branch Secretary, New College Lanarkshire
   - Leah Franchetti, Area Officer, EIS

4. EIS/FELA had previously made a written submission and, for ease of reference, this is attached again at Annexe A. Unite and Unison have provided a joint submission, also found at Annexe A.

5. New College Lanarkshire has also provided further information by way of follow-up to the evidence session on 28 June. Given the volume of information provided only an extract is attached at Annexe B. Following the evidence session on 28 June, the Committee also agreed to invite a written submission from the other non-executive Members of Lanarkshire Regional Board on the issues raised during the evidence session and in the report itself, particularly on the issue of staff engagement in the preparation of the business scenario plan. This is attached an Annexe C.

6. New College Lanarkshire provided a further written submission on 11 September 2018 setting out its response to the EIS/FELA written submission. They have also attached a planned activity summary for the final phase of producing its Business Plan. These can be found at Annexe D

7. Finally, the Committee has received correspondence from Scott Moncrieff, which is attached at Annexe E.
Written submission from EIS-FELA, 28 June 2018

The EIS/FELA Branch at New College Lanarkshire appreciates the opportunity to make you aware of the concerns of the teaching staff at New College Lanarkshire (‘NCL’) regarding the ongoing financial difficulties which the college is experiencing. Whilst we welcome this scrutiny and are relieved that the issues will be investigated, we are also concerned that our voice has not been heard.

Merger

As you are aware, NCL was formed as a result of the merger of Coatbridge, Cumbernauld and Motherwell College in 2013/2014. This was a difficult process and understandably, a very turbulent time for the staff involved. Whilst harmonisation of the pay and key terms and conditions was agreed at an early stage, there were concerns about the level of consultation with the trade unions in relation to the proposed new structure.

The EIS-FELA expressed its concerns at that time that the structure was top heavy and that there was insufficient support for the operational delivery of the curriculum. We could not at that time, and still cannot, see the need for the number of positions at a strategic level, particularly when there have been severe cuts to the staff on the ground who support the students and deliver the teaching function. The position of Curriculum and Quality Leader (‘CQL’) is particularly contentious, as it has an extensive remit, whilst the remit of the curricular posts above this are unclear and ill-defined. This is a source of conflict over what individual responsibilities are.

All this change without proper consultation and planning inevitably led to stress and low staff morale. Many new managers are inexperienced in staff management and have received no training. New working practices are imposed not agreed with staff.

There is a perception now among academic staff that Faculty Management are not interested in staff and that the CQL position is a buffer between the lecturing staff and Management, who feel that their concerns are not addressed. Many staff have little confidence that the organisation will get any better and do not feel valued.

There is concern that agreements reached with Senior Management are not reflected in the attitudes and behaviour of Faculty Management who do not seem to be held accountable for breaching these agreements.

Current Financial Situation

With regard to the current deficit, our Principal, Martin McGuire, had made the staff aware that there were financial pressures on the college due, he maintained, to under-funding by the Scottish Funding Council but despite repeated requests by the EIS/FELA, he would not provide details of the deficit which would be shown in the accounts for 2016/2017 or of the budget for the current year 2017/2018. When we asked for current figures we were told to wait until the published accounts came out.

The impact of the financial difficulties on the daily operations created an extremely stressful working environment and has led to strained relationships at all levels.
Teaching workloads are unmanageable, and conflicts arise daily over job roles and related tasks. Staff absences, often due to stress-related illnesses, can lead to further stress on remaining staff. Several CQLs, who line-manage the lecturing staff, have either left the college or stepped-down due to lack of support and workload issues. Existing experienced staff are often unwilling to apply for these posts, if they are filled, leading to costly external recruitment. Posts are not always filled and the existing CQLs are expected to take up their workload. This has led to more staff stepping down or leaving.

Following months of speculation but no information we were informed that the Scottish Funding Council had agreed to a Voluntary Severance scheme to reduce our wage bill. We were very concerned about this as we felt that what we needed was investment in staff, particularly at the lower operational levels, and asked to meet with representatives of the Board of Management to express our concerns.

Much of the apparent deficit shown in the accounts is attributed to a failure to budget for the costs associated with the National Bargaining Agreement. It appears that the Auditor General is saying that this was a legitimate expense but that the failure to budget for it appears to have masked the true position regarding the sustainability of the college. This raises questions about both the budget scrutiny processes, at Board of Management level and by the Scottish Funding Council, and the way in which the Scottish Funding Council decides on what is an appropriate level of funding. How is the sufficiency of funding assessed? How are the needs of students and employers identified? How is quality measured? Will we be expected to budget to repay the deficit? If so, will additional funding be provided to cover the re-payment or will we be under-funded until it is paid off?

The discussion which took place at the Scottish Parliament Public Audit and Post-Legislative Scrutiny Committee on June 7th gave us cause for concern about the measures which may be taken to address our apparent deficit and the impact on the staff and students that these could have. The Auditor General indicated that so far five Business Scenarios have been submitted to the Scottish Funding Council to ensure our future sustainability. We have no knowledge of the content of these scenarios and have not been involved in the consultation about their potential impact. Without this information, we cannot assess the impact which these measures will have on our working conditions, working relationships and more generally on the health and wellbeing of our members, who are understandably very concerned.

National Bargaining

We are currently in dispute with Management over a proposal to implement the new National Bargaining conditions which reduce our weekly teaching commitment from 24 to 23 hours. The Management proposal involves reducing every class by 5 minutes, which means in effect that lecturers would continue to teach 24 credits but will do so in 23 hours. This reduces the teaching time from 36 to 34.5 hours for every unit taught. This puts more strain on the lecturing staff, who will have to try to teach the same amount of content in less time and students, who will lose valuable teaching time. It will have an adverse impact on quality but costs the college nothing.
Management has acknowledged the negative impact which this proposal will have on staff and students but maintains that due to restricted funding from the Scottish Funding Council, it cannot afford to implement National Bargaining in such a way that it would reduce our workload. This raises concerns about commitment to the national bargaining process, on the basis that Management has not budgeted for the costs of implementing the harmonisation of wages and now is refusing to accept the associated costs of implementing the reduction in weekly teaching hours.

We are further concerned by the statements by the Auditor General regarding a potential management re-structure and potential review of the number of campuses from which we operate. Both these measures have the potential to significantly impact on our members. We have a right to be included in these discussions, along with our counterparts in the Support Staff Unions. We would require full financial information prior to engaging in these discussions, including the Management accounts and details of the number and salary levels of current staff. We would also require a risk assessment of the impact that any proposed measures could have on the health, safety and well-being of staff. Our working environment in NCL is already very stressful because of our Management’s difficulties in devising an appropriate budget which allows us to provide educational opportunities to our community at an acceptable professional standard. This has resulted in increased class sizes, fewer administrative staff and restricted resources. We fear that this could deteriorate further due to measures taken to address an alleged deficit, which could be caused by a lack of appropriate funding and/or the poor financial decision-making within our college.

**Future sustainability**

We met with two members of the Board of Management; Linda McTavish CBE, Chair of the Lanarkshire Board and Keith Fulton Chair Resources and General Purposes Committee on 11th December 2017, to discuss issues related to the launch of the Voluntary Severance scheme and made them aware that there were hidden costs which were not being considered because so many members of the teaching staff were doing additional work due to the under-funding. This is not sustainable. We asked that the Board address these workload issues and received assurances that ‘the Board would discuss this with Management and seek best endeavours around future activities.’ We are very disappointed that the response has been to attempt to increase our workload further as indicated above through the implementation of the November 2017 NJNC Agreement. The teaching staff at NCL needs sustainable funding for the college and assurances that the funding will be used to ensure that our workloads are manageable, the operation of the curriculum is supported, and we are able to maintain and improve quality standards for the benefit of our members and students.

We welcome this investigation into the financial planning and cost base of NCL and hope that future budgets will be set with due regard to the needs of the staff and students.
Joint Submission from Unison and Unite, 13 September 2018

UNISON is the largest trade union in Scottish public services. Our members deliver services, pay taxes and also have a wider citizenship interest in how services are provided and paid for. Members have a unique perspective on public service delivery meaning they can make a valuable contribution to the policymaking process.

Unite the Union Scotland represents around 140,000 working people and their families throughout Scotland. Unite is the UK’s largest trade union with 1.4 million members in a range of industries including transport, construction, financial services, manufacturing, print and media, energy, the voluntary and non-profit sectors, education, creative industries, local government and the NHS.

Evidence

A. GENERAL

1. The further education sector, in general, has been slow to espouse the Scottish government’s principles laid out in Working Together;¹ Fair Work² for example there are no trade union seats on FE College Boards. This despite paragraph 61 of the 30 March 2017 Ministerial Guidance letter:

¹ [https://www.gov.scot/Publications/2014/08/4647], and Fair Work
² [https://beta.gov.scot/policies/employment-support/fair-work-and-pay/]
2. There is still a culture in certain quarters that college boards and senior teams operate as if they were quasi private sector bodies and not part of the public sector.

3. National collective bargaining has impacted on the role of local Joint Negotiating and Consultative Forums, but there is much which still needs to be done at a local level on local employment issues.

4. Trade unions have a role beyond the bargaining agenda, and should have a ‘voice’ (as representatives of the workforce ‘bottom up’) in the wider financial, curriculum/service development strategy, and workforce planning strategies of any college in the context of the wider political, policy and financial environment in the sector.

5. That this is not a programme of reform and organisational change, it is merely an exercise in cutting jobs under the guise of reform. We envisage considerable pressure on remaining staff and a significant deterioration in student services. There does not seem to be any service rationale underpinning the plan.

6. Proper policies and procedures around organisational change and engagement with trade unions are not followed in the college.

7. Many individual members of staff have taken concerns over the process to MSPs as they feel they do not have an effective voice internally within the college.

8. UNISON and UNITE have general concerns over the operation of voluntary severance in the sector (e.g. individuals are expected to resource ‘strain on the fund’ costs, unlike in local government where the same scheme pertains)

9. UNISON and UNITE do consider that funding for the FE Sector is inadequate.

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Fair Work

61. Ministers have been clear that public bodies should lead the way on Fair Work, ensuring access to work that offers effective voice, opportunity, respect, fulfilment and security of employment and income. There are currently 5 colleges and 5 universities, accredited as Living Wage Employers. I ask that you build on this by encouraging more colleges and universities to become Accredited Employers and to promote the benefits of Fair Work, both through their HR functions and more widely to staff and students.
10. UNISON and UNITE consider that the overall system of funding (and formulas used) requires review.

B. NEW COLLEGE LANARKSHIRE

11. UNISON and UNITE welcome the scrutiny of the committee in relation to finances at New College Lanarkshire, as well as the opportunity to submit written evidence.

12. It was a cause for great concern that on the 29th November 2017 management launched a Voluntary Severance scheme which would see the departure of 34 members of staff (15 support; 19 teaching) with no prior consultation with any of the recognised trade union representatives. Indeed, on-site representatives received notification of the intention to launch the scheme a matter of hours before an all staff email informed staff that a Scottish Funding Council approved severance scheme would be available, on a voluntary basis, to all staff. We were advised that this was a response to ‘the funding challenges and financial pressures that the College had faced in recent years’. However, this was the first indication management had provided to staff and unions that the College intended to delete posts as a means of addressing a deficit budget position. There was a Principal’s address in August 2017, where the deficit position was highlighted and there was some mention that voluntary severance might be adopted as a possible measure to address this but no further communication was forthcoming in the intervening period. It is notable that there has been limited impact on Senior Management roles, with members expressing concern that there are too many layers of management.

13. In retrospect, it is clear that this lack of consultation around the deficit budget position and the measures proposed to address this appear to have given rise to a considerable measure of distrust amongst staff and unions. We can only conclude that management were of the view that because this Scheme had been approved by the Scottish Funding Council and was a standard scheme, there would be no requirement to consult on matters such as: the business case for job losses; any alternatives to job losses; selection criteria; the decision-making process; the number of posts that may be affected; implications for workloads; stress risk assessments or anything similar.

https://www.whatdotheyknow.com/request/stress_management_13#incoming-1197139
14. In December 2017, representatives from the EIS and UNISON jointly approached the Chair of the Board and the independent board member, Keith Fulton to express concerns regarding the lack of consultation, the lack of communication/transparency, as well as the prospect of unreasonable workloads and associated implications for remaining staff. It was stressed that there would be no undue burden placed on the remaining staff. These views have been made known to Brian Gilchrist, Head of Human Resources. We were also assured that the VS was not a restructure of the College, and that any application that had a destabilising effect on College/faculty would not be granted.

15. However, subsequent instances of what has been referred to as a ‘realignment’ of duties amongst senior staff and instances of smaller scale restructuring within certain areas following the deletion of posts appears to have given rise to fears of ‘backdoor restructuring’. While we have no evidence that the College has not complied with its obligations to the Scottish Funding Council in terms of the requisite twelve month pay back of the VS funding, we are gravely disappointed that the trade unions only seem to have been afforded a very reactive role in respect of what we now know to be phase one of the business planning and we believe that this, in itself, has had a somewhat ‘destabilising effect’ in respect of industrial relations.

16. It is our belief that the failure to communicate and consult on a matter of such consequence was a breach of the various Recognition and Procedures Agreements for the legacy colleges of Coatbridge, Motherwell and Cumbernauld, on which we still rely due to there currently being no Recognition and Procedures Agreement (RPA) for New College Lanarkshire post-merger.

17. Despite representations made to the Chair of the Board, there did NOT seem to be any marked improvement in communication from senior management to union representatives – timelines for final delivery of decisions around the VS scheme were postponed and once again, there was no communication forthcoming from management to unions about this. We now know that this is because the College sought additional funding to release more staff. However, there were instances when stewards sent emails enquiring about these delays but unfortunately, no replies were forthcoming. Similarly, there were instances when we received updates pertaining to the ongoing scheme at exactly the same time as the rest of the workforce. This, in turn, placed further strain on the union/management relationship. At various points in the course of our duties to our members, we have had to involve the Principal to ensure that we were eventually
conceded our rights under the legacy Recognition and Procedures Agreements.

18. The local Joint Consultative Committee with trade unions in New College Lanarkshire has been ineffective even in these times of crisis. On the occasions were there has been consultation this has been at short notice and therefore far from meaningful. Often members have assumed (wrongly) that trade unions have been consulted.

19. In March 2018, Unison stewards surveyed members to obtain an authoritative sense of the views of the membership on key issues such as communication, consultation, workload, College policies/procedures. We have included a copy of this survey for the perusal of the committee and hope that the results prove helpful and instructive. Such was our concern about the results of this survey, that on the 24th of May 2018 we sent a copy of the results to Dr Linda McTavish (Chair of the Board) requesting that she share these with the Senior Management Team. We also asked that, in the interest of good governance, the issues outlined be appropriately addressed. There was initially some delay in receiving a response - we had selected the Chair’s contact details from the College global address book, unaware that she does not, in fact, use a College email account. However, when this came to light and an alternative email address was provided to us, we re-sent the survey and received a response fairly quickly thereafter. It was indicated by Linda McTavish that a meeting would be set up with the Assistant Principal of Organisational Development, the Chair herself and the independent board member, Keith Fulton to discuss the survey results. We believe this took place in June/July 2018.

20. Subsequently, we met on 17th of August 2018 with the Chair of the Board who expressed disappointment that we had not shown the survey results to the Senior Management Team in the first instance. We expressed the view that our decision had been justified, proportionate and appropriate in the circumstances.

21. The meeting was challenging and at times, it seemed difficult to persuade the Chair that the views of our membership needed to be taken seriously. It was highlighted to us at one point that the College was not a co-operative. We are under no illusions regarding this but we are mindful that the College is a public body with recognised trade unions and also of the Scottish Government’s Fair Work Agenda and how this ought to define the culture of the college and set the tone of industrial relations.
22. There was some level of agreement reached despite quite a difficult exchange and the Chair did concede that receipt of our survey had been helpful. We were given assurances that work was already under way to improve communication (e.g. a staff workshop took place in June), that training for line managers would be discussed with the Principal, that the College may source an appropriate pensions advisor for staff and that the lack of policy at New College Lanarkshire would be addressed now that an Acting HR Manager was in place. We expressed disbelief that a personnel issue within HR seemed to be the excuse given for the lack of policy at the college some four years after merger. The Chair also highlighted that she was open to meeting again and that an invitation to the next board strategy day could be extended to us, as union representatives.

23. It is notable that since the last public audit session on the 28th of June there has been some degree of improvement in general consultation with staff and unions, particularly around the business scenario planning the College has been engaged in with the Scottish Funding Council. We have encouraged our members to participate in these sessions, although there is a strength of feeling, and a degree of cynicism, that engagement has come too late in the process. Members have also reported being fearful of speaking up and have little confidence their feedback and concerns will be taken seriously. Some members as a consequence have taken the decision not to engage with the process which is seen as ticking a box and too little too late.

24. We remain concerned about the absence of a recruitment policy and the extent to which the College continues to recruit externally, while the taxpayer funds voluntary severance. For the 12 months from August 2017 up to the 3rd of August 2018, only 30% of all vacancies (6 from 20) for support staff were restricted to internal applicants only and 27% of all vacancies (10 of 37) were restricted to internal applicants only. These percentage figures were supplied by the Assistant Principal of HR and Organisational Development and relate to all applications that were posted through My Job Scotland (which allows both internal and external advertisement).

25. We are anxious to ensure that our role as elected representatives is acknowledged, respected and taken seriously at New College Lanarkshire. We welcome the scrutiny of the committee and hope that any appropriate measures are taken to ensure that the effort to find savings is not simply a focus on job losses. We hope that the crucial role played by support services in the learner experience and the achievement of key performance
outcomes (including student recruitment and retention) will not be overlooked in the ongoing bid to reduce the deficit budget. A good quality learner experience and value for public money cannot be delivered at New College Lanarkshire without adequate staffing in the support areas that perform vital functions for the benefit of our learning community.

26. UNISON and UNITE have not submitted a vote of no confidence in the Senior Team and Board in NL College and Region. We are aware of an anonymous survey in the College in support of College Management which we do not support.

27. UNISON recently ran a Staff Survey which we shared with the Board Chair Linda McTavish on 24 May 2018 (copy attached). It showed that:

   (a) 76% of staff did not feel well informed about financial difficulties in the College
   (b) 69% of staff did not feel that Management kept Staff well informed during Severance Scheme
   (c) 45% of staff are concerned at the workload implications of lost jobs

This also reflects feedback received at UNITE meetings of members. Lack of communication and low staff morale have been long term concerns in New College.

28. We are concerned at the jettisoning of staff in a sporadic fashion as the main lever for organisational change. We envisage considerable pressure on remaining staff and a significant deterioration in student services. There does not seem to be any service rationale underpinning the Plan.

29. Proper policies and procedures around organisational change and engagement with trade unions are not followed in the College.

30. Many individual members of staff have taken concerns over the process to elected MSPs as they feel they do not have an effective voice internally within the college.

**Conclusion**

UNISON is Scotland’s largest public sector trade union representing a range of public sector workers including a range of staff in Scotland’s further education sector. UNISON Scotland is able to collate and analyse member’s experience to provide
evidence to inform the policy process. We therefore welcome the opportunity to submit written evidence to the committee and would welcome the opportunity to further participate in the scrutiny process.

Unite is the UK’s largest union representing workers across a broad range of industries including public services and in higher and further education. Unite has engaged with our members within New College Lanarkshire to inform this response. We recognise that scrutiny by the committee is necessary however hope that any measures taken to implement savings acknowledges the hard working, commitment and dedication of the workforce and does not result in job losses.

**Unison Member Survey Results March 2018**

(1) I feel well informed about the financial difficulties faced by New College Lanarkshire and future steps being taken to address these issues

Yes – 17%
No – 76%
Don’t know – 7%

(2) I am confident that NCL will overcome the current financial difficulties

Yes – 9%
No - 37%
Don’t know – 54%

(3) I find the college intranet easy to use and can readily find any policies/procedures I may need on the CLAN

Yes – 47%
No – 36%
Don’t know – 17%

(4) Management kept staff well informed throughout the recent severance scheme

Yes – 18%
No – 69%
Don’t know – 13%
(5) I am usually consulted on any changes or developments that relate to my role
   Yes – 37%
   No – 53%
   Don’t know - 10%

(6) I am concerned about how my role or workload might be affected following the voluntary severance scheme
   Yes: 44.6%
   No: 30%
   Don’t know: 23.07%
   I am taking VS: 2.3%

(7) Recruitment for internal/external vacancies is conducted in a fair, consistent and transparent way
   Yes: 28.46%
   No: 31.53%
   Don’t know: 40%
Annexe B

Written submission with follow up information from NCL after meeting 28 June

Paper from New College Lanarkshire to the Public Audit and Post-Legislative Scrutiny (PAPLS)
Committee of the Scottish Parliament, following the meeting of the PAPLS Committee on 28 June.

1. This paper has been prepared to provide additional information to the members of the Public Audit and Post-legislative Scrutiny Committee following their meeting on 28 June 2018. Specifically, this includes information on due diligence costs, support structure and job matching for CQLs that college management committed to provide when they attended the PAPLS committee.

Due Diligence

2. At the Committee meeting on 28 June 2018, there was some discussion regarding the report that had been commissioned by New College Lanarkshire to formally review the original due diligence process that had taken place at the time of Coatbridge College joining the merger. This additional report was commissioned by NCL as a result of several material factors that had not been reported through the initial due diligence process having a subsequent financial impact on New College Lanarkshire. As outlined in NCL’s submissions to the PAPLS Committee on 28 June, these matters included ERDF clawback, lack of full disclosure of property leasing costs and the existence of contracts for activity in China.

3. It should be noted at this point that these issues arose from the non-disclosure of material factors by those responsible for the management of Coatbridge College prior to the merger of that institution with New College Lanarkshire on 1 April 2014. There have been no unforeseen costs or issues arising from the due diligence undertaken in relation to Motherwell College and Cumbernauld College at the point that those institutions merged on 1 November 2013.

4. The Committee was interested in the costs of the initial due diligence process undertaken in relation to Coatbridge College. The financial due diligence process was undertaken by Scott Moncrieff and the cost of this was £46,203.60 for the full merger process, of which £19,169.04 related specifically to Coatbridge. The legal due diligence process was undertaken by Anderson Strathern LLP and the cost of this for the full merger process was £24,427.62, with £6,019.20 relating specifically to Coatbridge. The total cost of the work undertaken by Scott Moncrieff and Anderson Strathern LLP was met by the Scottish Funding Council as part of the funding that was made available to colleges to support the merger process.

5. In terms of the additional report commissioned from Wylie and Bisset LLP to review the initial due diligence process, there was no additional cost for this. As Wylie and Bisset LLP are the College’s internal auditors, an annual internal audit programme is agreed by the Audit Committee of the Board of Management and a number of audit days is agreed on the basis of that programme. The review of due diligence report was undertaken within the normal programme of internal audit.

College Structure

6. There was specific discussion at the PAPLS Committee meeting on 28 June 2018 in relation to the College structure – particularly in relation to the number of management posts that report to the Assistant Principals. To provide some context to this, the following information may be helpful.

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3 Columns 17 – 18 of the Official Report of the Public Audit and Post-legislative Scrutiny Committee, Thursday 28 June 2018
7. Our teaching staff are arranged in six faculties, each of which is led by a Head of Faculty. Our faculties are units of considerable size and in terms of levels of curriculum delivery, our Faculty of Care and Science for example, delivers more credits that the whole of the legacy Cumbernauld College and several of our faculties are larger than some of the smaller colleges currently existing in Scotland in terms of teaching delivery. In total, the College works with 18,000 students per year.

8. There are currently seven Assistant Principal posts at New College Lanarkshire and these posts were put in place as part of the restructure that took place at merger. All Assistant Principals were appointed in early 2014 and all seven posts have been held by the same people since. Following the recent voluntary severance scheme, the number of Assistant Principal posts will reduce to six with effect from 1 August 2018 and will reduce again to five on 30 September 2018. There will also be a decrease in the number of Vice Principal posts, which will reduce from three to two, effective from 31 July 2018.

9. To accommodate this reduction in senior management posts, some revision of line management arrangements is currently taking place. However, this does not affect the information presented here as the discussions are in relation to who reports to whom given the reduction in the number of senior management roles.

10. There are currently 20 managers who report directly to an assistant principal. In addition, there are 12 managers who report to an Assistant Principal at one remove, via a Head of Service, giving a total of 27 managers.

11. Within our support structures, we have management posts primarily at two levels – Head of Service and Manager. Heads of Service roles lead on major elements of the activities required to support the College’s wider learning and teaching delivery. The number and type of management posts within our support structures is considered against the size, scope and complexity of the College operating across six campuses, supporting 1,000 staff and 18,000 students.

12. As a large, multi-site organisation, there is inevitably some duplication of front line services across our campuses as services must be delivered locally. For example, we operate a refectory and associated food outlets at our three main campuses, with supervisory members of staff at each location. For many services involved in providing direct support to students and staff, we operate a number of sub teams with team leaders as appropriate where this is justified by the volume or nature of work at local campuses. This is a consequence of maintaining delivery to local communities post-merger. These local supervisory/team leader posts will normally have a salary of £22k - £25k.

13. Across our support services, the majority of support staff who are now in management posts were in the same or a comparable post at merger. As outlined in the College’s previous paper to the PAPLS Committee, there has been a significant reduction in the number of support management posts from the legacy pre-merger position, with an example being that, by 30 September, the number of senior management posts will be less than half the number of posts at this level before merger.

**Curriculum and Quality Leader – Outcome of Job Matching Process**

14. As part of the national bargaining arrangements for pay and conditions for college staff, an agreement was reached stating that a job matching process would apply for promoted teaching staff. In NJNC Circular 02/17 issued by the joint secretaries, three promoted levels were provided to colleges to support job matching of promoted posts.
15. The circular stated that the matching process was to be a joint exercise conducted by local college management and trade union representatives, with the aim of arriving at an outcome through local agreement. For cases where no local agreement could be reached, a national job matching panel was put in place through Colleges Scotland. This national panel was comprised of an independent chair, with both management and trade union representation.

16. The first step of the matching process was that college management were required to put forward proposals for discussion. Management at New College Lanarkshire did so, and these proposals were initially discussed between the Assistant Principal: Organisational Development and the EIS Branch Secretary. These proposals covered the following posts:
   - Assistant Head of Faculty x 9 posts
   - Curriculum and Quality Leader x 40 posts
   - Schools Development Manager x 1 post
   - School College Partnership Coordinator x 1 post
   - Extended Lecturer x 3 posts (this was a legacy post from Coatbridge College)

17. The national panel met to consider NCL’s submission on 6 June, with the meeting attended by the EIS Branch Secretary and the Vice Principal: Strategy and Corporate Performance to provide any additional clarification to panel members that may be required to assist in their deliberations. As stated, the panel was comprised of an independent chair, management and trade union representatives, plus the management and trade union joint secretaries to the national bargaining process. Membership of the panel was balanced equally between management and trade union representatives, with the independent chair having a casting vote if required.

18. The outcome of the national panel’s deliberations was issued to the College on 13 June 2018 and communicated to the affected staff on the same day. The national panel agreed that the posts should be matched to the levels proposed by the College management, while accepting some of the evidence put forward by the trade unions in relation to the spread of activities within individual criteria. A copy of the College’s full submission and the outcome for the role of CQL issued by the national panel has been provided to the Clerk to the Public Audit and Post-legislative Scrutiny Committee.

Brian Gilchrist
Assistant Principal: Organisational Development

27 July 2018
New College Lanarkshire – Support Management Structure July 2018

Where posts are shown in green boxes, the same or equivalent post was held at merger by the same person

Posts marked with a red dashed border have been accepted for voluntary severance
Dear Convener,

2016/17 Audit of New College Lanarkshire

Introduction

We refer to your letter of 19 July 2018 to Linda McTavish, Chair of the Lanarkshire Regional Board, enquiring whether any non-executive Members of the Board wished to provide a written submission to the Public Audit and Post-legislative Scrutiny Committee.

We thank you for this opportunity. While aware that we had the option of submitting individual responses to you, we have decided that a single, collectively agreed statement would be more appropriate in allowing us to comment on the important issues raised both prior to and during the evidence session on 28 June 2018.

In this response we will address your specific query regarding staff engagement but we also wish to take this opportunity to offer our view on some additional important matters raised during the Committee’s hearing on the 28th June. Our response is aimed at providing additional context and will provide you with updated information on relevant issues.

For ease of reference, we have grouped our comments under four headings, namely: -

- Staff Relations and Communications;
- Business Scenario Plan;
- Management Structures;
- Conclusion: Moving Forward

At the outset, we believe it pertinent to record that New College Lanarkshire (NCL) has moved from a deficit position of £2.2m in 2015/2016 (four per cent of total income), to a forecast underlying operating deficit in 2017/18 of £516k (one per cent of total income). As a Board we took immediate steps in July 2016, when the deficit was identified, to ensure an improved financial and reporting structure. Initially, via project groups, management and
staff identified improvements in systems and processes and, subsequently, through the setting-up of a Budget Monitoring Group to look at high-level cross-college budget streams, have worked hard to ensure the deficit is reduced and are continuing to do so. Alongside this, further training and support has been provided for budget holders with senior accountants also providing closer and stronger working relationships.

Our senior management team has been engaged with the Scottish Funding Council (SFC) to move to a sustainable financial position for the College, ensuring we are not in deficit. The business scenario plan is based on recommendations by the Auditor General for 5-year planning and the financial parameters set by the SFC. The College is engaging staff on the business plan and no one is under any illusion of the considerable challenges that the College will face in moving to a sustainable future. As non-executive Members of the Board we are fully committed to meeting these challenges.

At the same time as meeting these financial challenges, the College continues to meet its outcome agreement, helping ensure a high level of education and skills provision for learners across the Lanarkshire region. To demonstrate this, NCL has been adjudged best in the UK for skills at WorldSkills UK 2013, 2014 and 2016 and in the top three organisations in the UK in 2015 and 2017. Additionally, we exceed government priorities on engaging with students in our most socially and economically deprived communities. Overall, we are fully engaged with the Scottish Government in finding innovative ways to ensure attainment for our learners and the College can point to a reduction in the level of FE full-time student early withdrawal rates and to a 3 year positive trend for FE full-time student success rates.

1. Staff Relations and Communications

Although they are related, we believe it is important to distinguish between the staff relations and communications work we have been doing as a College in terms of our financial responsibilities and the work on business scenario planning. We will deal with staff issues relating to the business scenario plan in the second section below.

The Board and its specialist sub-committees monitor the College’s finances on an ongoing basis. Since July 2016, there has been a particular focus on the issues arising from, and the consequences of, the deficit position. Our Board has 4 staff representatives – 2 from New College Lanarkshire and 2 from South Lanarkshire College. The NCL staff representatives are active and involved Members of the Board and they play a full role in the Finance and Audit committees. In this respect, staff input to the discussions around all financial issues facing the College has been fully aligned with accepted governance standards.

We are fully committed to openness and transparency. Board minutes are publicly available. We have a Chair who is visible across the college and who is open to discussions with staff out with the formal structures. We communicate as a Board after each meeting through her Chair’s Report. Our student representatives also consult with students and play a full part in the work of the Board. Beyond these mechanisms, staff and representatives receive regular
updates from the NCL Principal and senior management appraising them of developments within the College. These have included the financial and performance matters highlighted by Audit Scotland and your Committee.

The work to bring down the costs in the College has been delivered through existing working relationships and practices within the College. Staff, management and the Board have all been conscious of our responsibilities in respect of bringing down the deficit and that work continues. We continue to focus the College on this challenging work. It has also coincided with national challenges in terms of industrial action, and the subsequent funding allocation for national bargaining for Colleges. The funding allocation is proving particularly challenging for Colleges, such as NCL, who harmonised salaries at a higher level for staff during the merger process and were commended for doing so.

Finally, all College union representatives, Board Members or not, have an open invitation to meet directly with the Chair and other Board Members should they wish to do so. We will continue to have a policy as a Board of welcoming from staff and students all sustainable, evidence-based proposals for financial efficiencies.

2. **The Business Scenario Plan.**

When the College’s financial deficit situation became clear in June 2016 the Chair and Principal met immediately with the SFC to advise them of the situation. Difficulties with our cash flow position were identified in our budgets for 2016 and 2017. College Board Members and senior management then commenced a formal process around business scenario planning with the SFC. As non-executive Members, we have, during committee meetings and full Board meetings, expressed the importance to our senior management of engaging with the SFC on the iterations of the plan, and we believe that they have done so consistently. At the same time, frustrations have been shared and noted at the length of time being taken to complete the Plan. In July 2017, the Chair and senior Members of the Board met with the then Chair of the SFC, Professor Alice Brown, and Dr John Kemp to discuss this and how to achieve a sustainable financial future for the College. In September 2017, the Chair and Vice Chair of the Board made themselves available to SFC staff to expedite the process at that time.

We have always ensured the importance to our senior staff of reporting and replying on time to the iterations and information requested by the SFC. During all these Business Scenario Plan iterations, where we were able to provide information to staff, for example, through the voluntary severance element, then we have done so promptly.

2.1 **Staff Relations in Relation to the Business Scenario Plan**
We note the Committee’s questions regarding the level and nature of staff involvement in this process. As noted above, the Board contains staff representatives, who, along with all other Members of the Board, were and continue to be appropriately regularly updated about progress with the SFC on the Business Scenario Planning process. Once that process moved to the point where the liaison with the SFC allowed significant details to become available, and it was appropriate to do so, a series of open meetings was put in place to maximise staff involvement. Throughout the process, there was a concern to avoid causing unnecessary stress and worry to staff resulting from premature publication of uninformed and incomplete data emerging from the changing discussions with the SFC.

We would like to stress that the College offered the EIS / FELA and Unison unions an opportunity to provide cost saving suggestions for the emerging Business Scenario Plan in December 2017, when the branch office bearers met with the Chair and Vice Chair of our Board. It was reported at the June 18th board meeting that the EIS / FELA union representatives were engaged with senior management on further understanding the underlying cost pressures on the College. In respect of the issues raised by the EIS / FELA union in respect of National Bargaining, staff workloads and the Business Scenario Plan, we note our governance duty of impartiality and objectivity in respect of any ongoing disputes between management and unions now and in the future. As a Board, we have processes in place that allow these issues to be considered and discussed. It is important when we do this that we take an evidence-based approach. We would want to assure the Committee that we will continue to do that rigorously.

3. Management Structures

We noted the comments made during the Committee’s meeting on 28 June regarding the ‘top-heavy’ management structure at NCL, and the inference that this has contributed to the College’s financial challenges.

Considering this, we wish to repeat here that, at the time of merger, considerable time and effort was expended identifying and reviewing different operating models in place across the sector at that time. The Committee has now received full details of the College’s management structure, provided as additional evidence by the College’s management. We would also like to stress the commitment to ongoing review and rationalisation of management structures as part of the overall forward strategy of an evolving organisation. As a Board, we have a commitment to keep these and all management proposals for changes relating to operational matters which impact on strategic direction, under scrutiny and review.

We know however, that we cannot become complacent and that, as times and funding support levels change, we need to keep our structure under review. An integral part of our
overall forward strategy includes working with College management and staff to monitor the situation, enabling the organisation to evolve in a way that continues to help demonstrate fitness for purpose.

4. Conclusion: Moving Forward

The overarching desire of all at the College is to move on from the issues of the past and to concentrate on positive forward strategies. The current Board is seeking to successfully manage a set of residual issues, such as the unfunded merger harmonisation costs, while focussing on such positive forward developments. We would want to acknowledge the considerable work of former non-executive Members, especially those who stepped in to support Coatbridge College in 2014 and who spent a considerable amount of time resolving the difficulties that arose there and the related financial consequences. In the future, when boards are asked to step in and resolve complex issues caused by other public bodies it may be useful that the consequences are recorded and fully understood.

As non-executive Board members we will continue to objectively analyse and consider the actions around business planning, rationalisation of the management structure and staff consultation. There is no complacency within the Board regarding the nature of the challenges faced, and we recognise the scope for enhanced staff communications, appreciate the scale of the financial challenges facing the College, and are committed to continuing to work in partnership with the SFC on finalising and implementing the robust and viable Business Scenario Plan.

In view of the challenging circumstances now being managed by the College, we would like to make it very clear that we have had full confidence in the strategic and operational approaches taken to date by the Regional Chair, the Principal and the senior management team of the College.

Agreed by all non–executive members of the Lanarkshire Board:
Kenneth Anderson
Stuart Reid
Rosemary McKenna
Keith Fulton
Matthew O’Hare
David Winning
Paul O'Donnell
Ann Stark
John Elliott
Robert Pyper
Further written submission from New College Lanarkshire, 11 September 2018

Response to EIS/FELA Paper submitted to the PAPLS Committee for its meeting on 28 June 2018

1. Introduction
Following the meeting of the Public Audit and Post-legislative Scrutiny Committee on 28 June 2018, the Committee invited the Non-Executive Members of the College Board of Management to provide further information to the Committee members, and a separate submission will be provided by Board Members on the themes on which the Committee sought their views. The College Senior Management team has also provided further information to the Committee in terms of three themes discussed at the Committee’s meeting on 28 June 2018 – the job matching process for the role of Curriculum and Quality Leader, the management structure for the College (specifically in relation to the tier of management reporting to the College’s Assistant Principals) and the costs of the merger due diligence process.

However, beyond these themes, there are further points that arise from the statement provided by EIS-FELA for the Committee’s meeting on 28 June 2018 that the College management team consider require further context and appropriate challenge. This paper provides this information.

2. Effective Union Voice
The re-introduction of national collective bargaining to the College sector has, perhaps inevitably, changed the dynamic of the relationship between individual colleges and local union representatives. Where before there was local negotiation on a range of matters relating to terms and conditions of staff, the majority (if not all), of the issues on which local negotiation may have taken place are now reserved to the national bargaining framework. At an individual college level, both the senior management team and the trade union now have less direct influence over the outcomes of the national bargaining process, other than as one of 20 colleges signed up to the national bargaining arrangements.

However, throughout the merger, the Principal and members of senior management have continued to meet with the EIS/FELA branch in both informal and formal meetings. Prior to the introduction of national bargaining, the management team at New College Lanarkshire took early steps to harmonise the lecturer contract, rather than continue with three legacy versions and we were commended by SFC in our post-merger review for doing so. The EIS/FELA branch have commented that their experience of harmonising the lecturer contract was a positive one.
However, in relation to the financial challenges that the College has faced and will continue to face due to levels of available funding, it is clear that the perspective from which some of the EIS-FELA representatives view these challenges is diametrically opposed to the perspective of the College Board and management team. The management team accepts that constructive debate and argument is healthy; however, when the EIS-FELA representatives continue to express the view that the deficit is not their concern, it limits meaningful engagement and makes such discussions difficult.

To improve outcomes for our learners and as part of our plans to ensure financial stability there has been a concerted effort to improve efficiency, student retention and student attainment. This has resulted in appropriate discussions regarding the viability of some curriculum and the need to develop alternatives, the need to ensure that all classes are run at a viable level and are not delivered at a financial loss to the College and a real focus on reducing withdrawal rates and increasing success rates. Actions taken in these respects are having a demonstrable impact in the 2017/2018 session and this is part of an overall effort to ensure the sustainability of the curriculum and the College as a whole. All College staff have played a part in this achievement.

The College is measured mainly on four key performance indicators:

- **Early Withdrawal** Students who withdraw before they complete 25% of their course (for whom the College receives no funding);
- **Further Withdrawal** Students who withdraw between the 25% point and the end of the course;
- **Partial Success** Students who complete the full programme for which they are enrolled, but do not achieve all of the required outcomes;
- **Completed Successfully** Students who complete the full programme and achieve all of the required outcomes.

SFC produce comparative data for all colleges and a sector average. While the circumstances facing each college will be different, these KPIs give a useful benchmark for analysing trend data and highlighting potential issues for particular groups of students. However, the EIS-FELA representatives do not accept that this KPI data should play a part in discussions, or that this data has any place in analysing comparative success across the College.

Where the union has made suggestions for change, these would frequently incur significant additional cost. These are documented below.

3. **Curriculum and Quality Leader**

The Committee has been provided with details of the outcome of the national job matching panel that considered the role of CQL in June 2018. However, some of the dissatisfaction that is being expressed in relation to this role now has its roots in the implementation of the new College structure at merger.

Following merger, and the appointment of our six Heads of Faculty, a period of consultation was undertaken in June 2014 in relation to the Curriculum and Quality Leader role. At this point, the local representatives of EIS-FELA were unhappy that the consultation process for this role was initially opened to all staff and not only undertaken solely via the trade union.
The contentious element of the CQL role to which the EIS-FELA paper refers was that there was a disagreement between management and the trade union in relation to whether this role was a new post or a direct replacement for legacy Curriculum Leader/Manager posts. Management’s view was that there was some overlap but that the demands of the role would be different and staff should have to apply for the new posts, whereas the trade union considered that it was a direct replacement and existing Curriculum Leaders/Managers should be matched. The outcome to these discussions was that existing CL/CMs had to apply to be matched to one or more of the new CQL roles, but the matching was done without competitive interview. Any CQL posts remaining at the end of this process were advertised through competitive recruitment.

3.1 EIS-FELA perceived gap in structure
Since the implementation of the new teaching structure, EIS-FELA have repeatedly expressed their view that there is a ‘gap’ in the faculty management structure that should be filled by the introduction of the role of Senior Lecturer. This could only be achieved at significant cost and the College does not consider that such a role is necessary.

The EIS-FELA stated proposal to address their perception of there being a ‘gap’ in the management structure would see the role of Senior Lecturer sit between the roles of Lecturer and Curriculum and Quality Leader in all curriculum teams across the College. Given that the outcome of the pay migration to introduce nationally agreed pay scales within the FE Sector will see all existing lecturers at New College Lanarkshire matched to a salary of £40,026 and the role of Curriculum and Quality Leader has been nationally matched to a salary of £46,925, it is reasonable to assume that any role of Senior Lecturer would require to be at Level 1 of the promoted job matching levels, at a nationally agreed full-time equivalent salary of £43,850 by April 2019. This means that introducing a single Senior Lecturer post in each curriculum area would increase the College’s staffing by 40 posts at a salary cost of £1.8M before pension and National Insurance costs have been taken into account.

By stating that the higher roles (i.e. Assistant Head of Faculty and Head of Faculty) are ill-defined and that the CQL role is extensive, this appears to be more of a justification for the union’s preferred matching outcome and the desire to introduce a number of Senior Lecturer posts than a fair assessment of how existing roles relate to each other, which the management team believes is clear.

3.2 CQLs relinquishing roles
The union are correct that a number of CQLs have asked to relinquish these roles and it is a generalisation to say that this is due to a lack of support or workload, as there will have been a range of factors that have influenced this decision for each individual. We also had three CQLs who retired shortly after merger.

Of the 5 staff who have stepped down from the CQL role, three were replaced through internal appointments and one role was not replaced, with the relevant Assistant Head of Faculty taking on direct responsibility for managing the teaching team. The fifth role was recruited externally. Of the three staff who have retired from this role, two were replaced by external appointments and one was replaced by an internal appointment.
It is important to note that every CQL who stepped down from this role for any reason other than retirement, still remains with the College in a lecturing post.

In terms of incurring ‘costly external recruitment costs’ for CQL posts unfilled internally, the College spent a total of £608 on external recruitment advertising in the whole of the 2017/2018 academic year. From August 2017, the College has been using the MyJobScotland recruitment portal and, while this does have an annual maintenance fee, this has been offset by a managed reduction in HR staffing due to the time saved by streamlining previous paper based recruitment processes.

4. Consultation & Communication
The College recognises that the trade unions have an important role in the consultation process. It is also clear that the trade unions would welcome more communication. It is also important to note that not all communication will be formal consultation and consultation does not always require agreement. However, to ensure that there is a joint understanding of the arrangements for consultation and communication, the College is currently developing a revised Recognition and Procedure Agreement to set out the relationship between the College and its trade unions and this will be fully consulted on and discussed with the trade unions in the coming weeks.

Over the past few years, the Principal has discussed the financial situation with the trade unions and has raised this in general staff sessions. The point has been made by management that the percentage of the college’s expenditure covered by the SFC Core Grant has reduced and the combination of this reduction and continued salary pressure, as a result of unfunded national bargaining cost of living increases, is a major factor in the College’s financial situation and, through discussions that have taken place, all trade union representatives will be aware of this.

The College recognises that it has a duty to share information with trade unions to aid discussion and the recent consultation process in relation to the business plan has followed the principles of full disclosure. However, it is also reasonable for the management team to signpost trade union representatives and other staff members to sources of publicly available information. The College’s annual accounts are in the public domain up to and including 2016/2017 and the papers of the Board of Management and its committees are publicly available via the College website and have been since the Lanarkshire Board was established in 2015. SFC also publish the funding allocations for the sector and a range of guidance on their own website.

EIS-FELA have made reference in their PAPLS submission and in discussion to ‘an alleged deficit’. In many respects, this highlights a refusal to accept the reality of the situation as set out both in meetings held with trade union representatives and in the publicly available information contained in the college accounts, the relevant board and committee papers and the reports prepared by the Auditor General herself, all of which consistently state the financial pressures faced by the college and the very real extent of the deficit budget position.

As part of the current EIS/FELA dispute (which relates to the local implementation of nationally agreed terms and conditions), the trade unions were taken through the college’s current financial position by the Vice Principal: Resources and the Vice Principal: Strategy and Corporate Performance on 25 June 2018.

However, it is also recognised by management that the size and scope of the college does sometimes lead to blockages in communication and the sharing of information.
To address this, a Communications Group has been set up via the Partnership Committee (a joint management/trade union group) to look at communication methods and a workshop with a cross section of staff was recently held to consider how staff’s experience could be improved through more effective communication. This meeting was held on 19 June and no-one from the EIS/FELA branch committee chose to attend. Further work on staff engagement will be undertaken by the Communications Group before the end of 2018.

4.1 Communication relating to the Voluntary Severance Scheme 2017

Regarding the voluntary severance scheme, there are two points in this process where the management team have acknowledged that consultation and communication could have been conducted differently.

Prior to the launch of the voluntary severance scheme in November 2017, there had been much speculation within the College that a voluntary severance scheme would be made available to staff and, despite communication that no decisions had been made, it was clear that many staff expected that such a scheme was to be launched in the 2017/2018 session. This demonstrates that, at least at some level, there was an understanding of the College’s financial challenges. At the point that SFC confirmed that funding for voluntary severance would indeed be available and made the formal offer of strategic grant to the Board of Management, the College wished to act quickly once the Board had decided to accept the funding. This decision was made to avoid a protracted period where staff were aware that funding had been accepted but the scheme had not been launched.

The Board’s decision to accept voluntary severance funding was made through a meeting of the Chairs’ Committee on Monday 26 November 2017. To communicate with trade unions, the Assistant Principal: Organisational Development met the representatives of UNISON and the EIS over the course of Tuesday 27 November and Wednesday 28 November, with the scheme published to staff on the evening of Wednesday 28 November 2017 and applications accepted from the following Monday. The information was provided electronically to the full-time regional officer for UNITE in the absence of a local workplace representative.

It is clear from subsequent discussion with the trade unions that they would have wished more time between being advised of the launch of the voluntary severance scheme and its publication to staff to consider the scheme and to ask questions about it. Management have taken this on board and will take this into account in relation to any future severance arrangements.

The second point where communication could have been different was at the end of the process. In the voluntary severance scheme document, it was stated that the College expected to be able to confirm the outcome of applications received within four weeks of the closing date. This mirrored the arrangements for the previous scheme operated by our three legacy colleges at merger and was considered to be a reasonable period of time, as it had been demonstrated previously that this timescale could be met.

However, the need for additional discussion with SFC around consideration of the senior management applications that had been made and the College’s wish to explore whether there was scope to adjust the level of funding to accommodate the full number of staff who the College believed could be released, meant that it became clear that it would not be possible to complete these discussions before the initial four week assessment period elapsed. While this was communicated immediately to all staff with an
outline of why this was the case, it was difficult to commit to a final timescale for decisions to be issued while discussions with SFC were ongoing. The process was also delayed due to adverse winter weather, which saw the College closed for a number of days. While the delay was not intentional, the trade unions have stated that this heightened the anxiety for staff and management have accepted this. This experience will be taken into account when planning communication and decision making timescales for any future severance schemes.

Although it is evident that the trade unions would have welcomed more communication at either end of the process, engagement did take place with the trade unions during the period that the voluntary scheme was open. This was particularly useful in relation to UNISON, who made a number of representations on behalf of their members, which saw the College develop and prepare an FAQ document (circulated to all staff) and engage with Stewards on individual queries.

4.2 Business Plan
Discussions between the College and SFC around the Business Plan have focused on a number of scenarios and are aimed at arriving at a position that ensures the sustainability of the College. The consultation process with the trade unions on the Business Plan commenced once the parameters within which SFC expected the plan to operate were finalised.

However, it is important to note that significant improvements have been made to the College’s financial stability between the issues highlighted by the Auditor General in relation to the 2015/2016 financial year and summer 2018. Had it not been for confirmation in mid-June 2018 that the College should plan for cost of living rises in each year of the plan to be met by 3% efficiencies each year, the final plan would have reflected a ‘business as usual’ approach. It is the impact of unfunded national bargaining cost of living rises over the period covered by the business plan that now means that the College must consider more drastic action and consult with staff on the implications of this.

5. Lecturer Contract
To provide some context to the EIS statements regarding workloads and the tasks and responsibilities of a lecturer, it may assist the Committee to be aware of the terms and conditions for the role of lecturer.

Under national bargaining, the agreement reached in November 2017 for core terms and conditions for lecturing staff had three main components:

- A teaching commitment of 23 hours per week, plus 1 hour that can be used in specific circumstances;
- An annual teaching commitment of 860 hours per year;
- An annual leave entitlement of 62 days per year.

In addition, the nationally agreed pay migration arrangements that will move all lecturers, in all colleges that are part of the national bargaining arrangements, to an agreed national pay scale in three stages will see all lecturers at New College Lanarkshire receive a salary of £40,026 pa from 1 April 2019. This salary was set in 2017 and will be subject to the outcome of national pay negotiations for the 2017/2018 and 2018/2019 pay years. Colleges Scotland advise that the current EIS-FELA national pay claim would increase the lecturer salary to approximately £45k by April 2019.
The contract parameters outlined above have been implemented at New College Lanarkshire, although the EIS has declared a formal dispute with the College due to the fact that, as well as 23 hour teaching week (which at NCL had to be reduced from 24 hours as part of the national agreement, while maintaining the maximum annual teaching hours of 860 hours), the trade union wish to see a reduction in the number of units taught per lecturer per year. This is not part of the national agreement and the dispute raised by the EIS is under consideration by the College’s Board of Management at the time of writing.

For the College to implement a reduction in taught units per lecturer as requested by the trade union, it would create significant additional cost due to the need to recruit additional teaching staff. This equates to approximately 24FTE teaching staff at a salary (including oncosts) of c£50k. This cost will rise due to the migration of all NCL lecturers to an FTE salary of £40,026 in April 2019.

It was also the case that the College proposed an option that would have given lecturers an FTE teaching commitment of 22 hours per week, with an increase of one week in the number of teaching weeks per year. This would not have interfered with the provisions for lecturer annual leave and would have met the nationally agreed contractual parameters. This was rejected by the trade union on behalf of its members due to a perceived detriment created by increasing the number of weeks that staff would be expected to teach students from 37 weeks to 38 weeks per year.

If EIS-FELA wished to see the agreement framed in relation to a lecturer’s overall workload, discussions at a national level should have focused on agreeing a reduction to the 860 maximum teaching hours, as NCL (and all other colleges) is expected to deploy lecturers as efficiently as possible and to the full extent of their contractual terms, as far as it is possible to do so.

We have also had the issue of EIS-FELA representatives confirming with staff what their contractual duties are or what agreements should be, based on an incorrect interpretation or assumption. This has created issues where Heads of Faculty have applied the college position that differs from the union’s expectations.

Some of the issues that we have experienced in this regard have related to the use of language by the trade union, as the trade union often uses the language of ‘breach’ rather than recognising that it is possible for the same agreed parameters to have different outcomes based on faculty or individual circumstances. Viewing every issue where there is a disagreement as a breach of contract/agreement is unhelpful and itself creates friction and anxiety for staff.

5.1 Professional Flexibility
Within the lecturer contract at New College Lanarkshire, there is a provision that permits ‘Professional Flexibility’. In brief, this means that where a lecturer is not teaching s/he can work at an alternative location, subject to the requirement of the College.

At several points since our teaching contracts were harmonised at merger, there has been a need to clarify arrangements regarding professional flexibility as some staff are operating a ‘not in class, not in college’ model. This has involved discussion with trade unions and within individual curricular teams. In our meetings with trade unions, there has been a joint understanding of how professional flexibility should operate, but it is evident that this level of clarity does not always appear to extend across the
college and, in some cases is working to the detriment of colleagues and learners, as highlighted by Education Scotland in recent feedback.

6. Lecturer Numbers and Support for Curriculum
The College fails to see how the EIS/FELA branch can state that there is insufficient support for the operational delivery of the curriculum. While voluntary severance allowed the College to restructure legacy management structures to match our six faculties, lecturer numbers have remained constant, as outlined in the College’s own paper to PAPLS. There have been no severe cuts to teaching staff ‘on the ground’ and while it is the case that teaching staff have left us due to severance, we have continued to recruit additional staff where the curricular need is there and we have continued to offer permanent contracts to existing temporary staff across the College at the rate of approximately 40FTE per year.

One of the challenges for the College is that, while teaching staff are often multi-skilled within their own curricular area or faculty, it is not often possible to redeploy teaching staff across faculties to accommodate patterns of growth or decline. Voluntary severance has permitted us to rebalance our staffing needs in these areas.

In terms of support staff, this has been where the majority of staff have left us due to severance. However, over the same period, we have reviewed staffing in a number of student facing services to ensure that students are effectively supported to attend college. All severance decisions taken have been made on the basis of the need to protect the delivery of learning and teaching and ensure that this is underpinned by the availability of appropriate support services.

7. Absence Rates
In relation to absence, it is correct that absence rates at NCL have risen since merger. However, our absence rate remains lower than other colleges within the sector and is in line with average absence rates for large educational organisations in the public sector, as measured in annual surveys undertaken by the Chartered Institute of Personnel and Development (CIPD). It is also the case that we are facing an ageing workforce and since merger, we have experienced a number of significant long-term absences.

In relation to stress related absence, this has dropped significantly for teaching staff since merger and for absences where the stress experienced was indicated to be work related, such absence has dropped by 60% between 2014/2015 and 2016/2017. Stress absence for support staff rose in 2015/2016 and 2016/2017, with two members of staff accounting for 47% of all work related stress absence for support staff in 2016/2017.

Absence rates for the College are also discussed and monitored via the Resources and General Purposes Committee and the Finance Committee of the Board of Management.

Data for 2017/2018 is currently being prepared as part of the absence data required for our annual financial statements.

8. Continued Investment in Staff
The operation of a voluntary severance scheme and investment in staff are not mutually exclusive, as the EIS-FELA paper appears to suggest. As stated above, we have continued to maintain overall teaching numbers, while using voluntary severance appropriately as a means of reducing staffing in areas where
there is a lack of demand or inefficiencies that can be addressed within existing resources. However, we have continued to recruit additional teaching staff in areas of growth.

We have continued to invest in staff in terms of training and development and have maintained around 20 fully funded places for teaching staff to undertake the Teaching Qualification in Further Education (TQFE) each year since merger. Our 2017/18 TQFE programme cost in the region of £40,000 per annum and represents a substantial proportion of the college’s CPD budget. We also provide initial teacher training for staff via the PDA, which has been well received by participants. This is in addition to a wide range of subject or skill specific CPD that is provided to teaching staff and support staff across the College.

In terms of wider training, the College has provided a range of training to staff. Some of this has been formal via opportunities such as Chartered Management Institute training, which has been undertaken by a small number of staff, but we have also held multiple in-house sessions on specific topics or systems. In relation to teaching staff, as part of the support offered to the Curriculum and Quality Leaders, a regular CQL Action Group has been held since merger at which CQLs meet with and are supported by the senior management team. This group has been of benefit in supporting CQLs and has led to a number of service improvements or systems enhancements.

The College recognises that further management training may be of benefit and is considering how this could best be delivered within the financial resources available to support staff development. We are also committed to ensuring that we continue to offer opportunities for all staff to develop and update their skills and knowledge to support our organisational objectives.

Brian Gilchrist

Assistant Principal: Organisational Development

[on behalf of New College Lanarkshire]

11 September 2018
Activity Summary

Over the past three months New College Lanarkshire entered the final phase in producing a Business Plan which will maintain the College in a stable and sustainable financial position over the next five years. Working closely with Scottish Funding Council colleagues, the College was now in a position to consult all staff to help ensure that as many available options for the Business Plan were explored.

All staff have been encouraged to contribute to the consultation process and be part of the sustainable future of New College Lanarkshire.

Objectives:

- Engage all staff, providing sufficient information and interaction to encourage a thorough understanding of the challenges facing the College over the next five years
- Provide an opportunity for staff to be heard
- Encourage participation in dialogue and provide input on how we can develop our plan

Principles:

- Communications will be open, honest, accessible and accountable, displaying the highest level of professional integrity for a positive outcome

Audience:

- All New College Lanarkshire Staff
- All three College recognised Trade Unions
Channels of Communication:

Online;

The Clan

- Homepage banner promoting staff consultation ‘have your say’
- Dedicated page set up to display content for consultation
- Consultation plan provided on The Clan and signposted from banners/e-mail
- Forum pages for feedback on draft Business Plan
- Survey monkey link for anonymous feedback

E-mail

- E-mail highlighting the staff page and details of events
- Weekly reminder emails to all staff

Offline;

‘Have your say’ events

- Events held over three main campuses
- Presentation of draft Business Plan
- Discussion of key financial information
- Opportunity for feedback

Evaluation:

Information gathered and analysed following consultation process, including:

- Forum posts on The Clan
- Document downloads from The Clan
- Page views on The Clan
- Attendance of events
- Questions and feedback from events
- Anonymous feedback from The Clan

Events/Engagement:

Throughout the consultation, a number of direct verbal and email responses were provided to Union Branch representatives.
12 July  Staff Business Planning consultation process launched via all staff email and College intranet (CLAN)

16 July  Discussion boards and anonymous feedback launched

01 August  Presentation of consultation event 1 published on intranet

01 August  Consultation event 1 at Cumbernauld and Coatbridge focussed on providing staff with a comprehensive understanding of the environment the College is operating within and the challenges it faces in the coming five years.

02 August  Consultation event 1 at Motherwell focussed on providing staff with a comprehensive understanding of the environment the College is operating within and the challenges it faces in the coming five years.

13 August  Detailed Financial information posted on intranet and all staff email sent. Documents included:

- AY 2017/18 June Management Accounts
- AY 2018/19 latest draft Budget
- Annual Accounts for the past three years

14 August  Draft Business Plan published on intranet

14 August  Presentation of consultation event 2 published on intranet

14 August  Consultation event 2 at Cumbernauld providing a recap of the environment the College is operating within and the challenges it faces and focussing on the proposed draft Business Plan, its impact and inherent risks.

15 August  Consultation event 2 at Motherwell providing a recap of the environment the College is operating within and the challenges it faces and focussing on the proposed draft Business Plan, its impact and inherent risks.

16 August  Consultation event 2 at Motherwell providing a recap of the environment the College is operating within and the challenges it faces and focussing on the proposed draft Business Plan, its impact and inherent risks.

17 August  Consultation event 2 at Coatbridge providing a recap of the environment the College is operating within and the challenges it faces and focussing on the proposed draft Business Plan, its impact and inherent risks.

21 August  Business Plan - Union/Management working group schedule offered to all three union branch officials, 31 timeslot options offered over a three week period.

22-26 August  Analysis of all consultation event feedback; Discussion board feedback and anonymous feedback carried out resulting in the identification of a set of Frequently Asked Questions (FAQ) and Frequently Suggested Actions (FSAs). A comprehensive response to each of the FAQs & FSAs was considered and documented.
22 August  Principal’s update session to staff at Motherwell
22 August  Principal’s update session to staff at Motherwell
23 August  Principal’s update session to staff at Coatbridge and Cumbernauld
27 August  Responses to consultation Frequently Asked Questions (FAQs) and Frequently Suggested Actions (FSAs) published on intranet and promoted via all staff email.
27 August  Voluntary Severance Analysis and Summary Impact Analysis template also published on intranet and promoted via all staff email.
28 August  Business Plan – Union/Management working group with representatives from the EIS, UNISON and UNITE. Union representatives from all unions were present to challenge and receive responses relating to their issues and concerns relating to the draft Plan. Observations and suggestions were noted for consideration and inclusion within the draft plan. Also, an invitation was extended to the Unions to directly contribute to development of the draft Plan’s Impact Analysis.
28 August  Presentation of consultation event 3 published on intranet
28 August  Consultation event 3 at Coatbridge focussed on discussions surrounding Frequently Asked Questions (FAQ) and Frequently Suggested Actions (FSAs) and how this has influenced the developing draft plan.
29 August  Consultation event 3 at Motherwell focussed on discussions surrounding Frequently Asked Questions (FAQ) and Frequently Suggested Actions (FSAs) and how this has influenced the developing draft plan.
30 August  Consultation event 3 at Cumbernauld focussed on discussions surrounding Frequently Asked Questions (FAQ) and Frequently Suggested Actions (FSAs) and how this has influenced the developing draft plan.
31 August  Consultation event 3 at Motherwell focussed on discussions surrounding Frequently Asked Questions (FAQ) and Frequently Suggested Actions (FSAs) and how this has influenced the developing draft plan.
05 September  Consultation meeting with SFC. Constructive feedback received and amendments agreed. SFC offer “Transformation Grant” of £2.6M to cover next five year transitional period to replace the previously agreed long term cash advance of £2.6M to cover next five year transitional period.
Draft Business plan remodelled to reflect effect of “Transformation Grant”. This primarily resulted in a modest reduction of total staff FTE losses over the five year period but more positively a significant reduction in the staff FTE losses in the early part of the draft plan i.e. AY 2018/19 and AY 2019/20. This had the effect of reducing immediate impact and reducing risks associated with the successful implementation of the plan over the five year period.

Presentation of draft Plan to Lanarkshire Board. Detailed discussion with Lanarkshire Board members including comprehensive feedback and requests for amendment/update. Approval of the draft Plan, in principle, subject to agreed updates; final staff/union consultation followed by final Lanarkshire Board review and approval.

**Future Activity**

- **11 - 14 September**  
  Independent Audit of the draft Business Plan by Wylie & Bisset LLP

- **17 - 20 September**  
  Lanarkshire Board review

- **18 September**  
  Advanced release of updated draft Business Plan to Union Branch representatives

- **19 September**  
  Business Plan - Union/Management working group update meeting

- **19 September**  
  Additional staff consultation/update event at Cumbernauld

- **20 September**  
  Additional staff consultation/update event at Motherwell

- **25 September**  
  Additional staff consultation/update event at Coatbridge

- **25 - 27 September**  
  Lanarkshire Board final review and approval of Business Plan

- **28 September**  
  Submission of Business Plan to SFC
Dear Ms Scharbert

New College Lanarkshire

I refer to the Public Audit and Post-Legislative Scrutiny Committee Meeting of 28 June 2018 in relation to New College Lanarkshire.

We have listened to the evidence given during the public session of the meeting and note that our due diligence report for Coatbridge College of 2013 was discussed and challenged. The questions raised by the Wylie + Bissett internal audit report of October 2015 were put to us by Ronald Smith, Chair of the Audit Committee in 2016. At this time we reviewed our due diligence report and provided a comprehensive written response to each of the points raised.

Many of Wylie + Bissett’s observations are based on information which materialised after the conclusion and reporting of our due diligence. We are satisfied that we reported our findings based on the information made available to us at the time and the representations made to us during the process.

Yours sincerely

Gary Devlin
Partner
gary.devlin@scott-moncrieff.com
Public Audit and Post-legislative Scrutiny Committee

20th Meeting, 2018 (Session 5), Thursday 20 September 2018

The National Fraud Initiative in Scotland

Introduction

1. At its meeting today, the Committee will take evidence from Audit Scotland on its report *National Fraud Initiative in Scotland*.

2. Audit Scotland has prepared a briefing on the key messages from the report, which is attached in the Annexe.

Clerks to the Committee
20 September 2018

2. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Cabinet Office oversees it and Audit Scotland leads the exercise in Scotland, working with a range of Scottish public bodies and external auditors.

3. The NFI uses data matching to identify potential inconsistencies. Data matching involves comparing sets of data against other records held by the same or another body. This enables the identification of potential inconsistencies, called matches, which may indicate fraud or error and need to be investigated. Public bodies taking part in the NFI exercise investigate matches and record the outcomes based on their investigations. It is up to individual bodies to decide which, and how many, matches to investigate.

4. In total, 113 Scottish public sector bodies participated in the NFI exercise during 2016/17.

**Key messages from report on the 2016/17 National Fraud Initiative (published July 2018)**

5. The NFI takes place every two years. The latest NFI report summaries the data matching exercise conducted by Audit Scotland using its statutory powers under the Criminal Justice and Licensing (Scotland) Act 2010.

6. Key messages from the report are:

   - Public bodies spend billions of pounds of taxpayers’ money for the benefit of the Scottish population. Public spending systems are complex and mistakes can happen. Some people also seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

   - Fraud does not recognise organisational or geographic boundaries. Sharing data allows organisations to match data held in different systems in their own organisation and held in other organisations. Audit Scotland, working closely with public bodies, auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (NFI) exercises significantly contribute to the security and transparency of public sector finances. It
helps confirm that services are provided to the correct people and reduces fraud and error.

- The outcomes from the NFI include amounts for fraud and error detected and an estimate for those future losses that have been prevented. Since we last reported on the NFI in Scotland in June 2016, outcomes valued at £18.6 million have been recorded. The cumulative outcomes from the NFI in Scotland since 2006/07 are now £129.2 million. These outcomes represent a significant return to the public sector at a time when Scotland’s public finances continue to be under pressure. Across the UK, the cumulative total of NFI outcomes are now £1.69 billion.

- 656,955 cases were identified in 2016/17 for Scottish bodies to consider, review and investigate. It is up to individual bodies to decide which, and how many, matches to investigate.

- Data sharing enables matches to be made between bodies and across national borders. Data submitted by Scottish bodies for the 2016/17 NFI exercise helped other organisations to identify outcomes of £1.1 million.

- Most organisations take advantage of the opportunities provided by the NFI. But some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.

**Post-legislative scrutiny review of the National Fraud Initiative**

7. The Public Audit and Post-Legislative Scrutiny Committee issued a report following its review of the National Fraud Initiative in 2017. The committee’s report identified that the National Fraud Initiative was a success story but that more could be done to strengthen the initiative and help to prevent fraud.

8. Since the committee’s report was published, Audit Scotland has been working closely with the Scottish Government, the Cabinet Office and public bodies, to deliver improvements to the initiative. This has included the piloting of new areas of data matching, improved publicity around the National Fraud Initiative and expanding the data matching capabilities to new organisations and data sets. Audit Scotland and the Cabinet Office have also been engaging with participating organisations in order to retain and improve their ongoing review and investigative work on any potential fraud and error identified through data matching.

9. A summary of some of the specific activities undertaken in response to the Committee’s recommendations is in Appendix 1.
Appendix 1
Recommendations from the Post-legislative scrutiny review of the National Fraud Initiative

<table>
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<th>Recommendation</th>
<th>Actions taken</th>
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<td>1</td>
<td>We consider that additional publicity around the NFI could help to maximise its deterrent effect and therefore further reduce the cost of fraud to the public purse. We call on the Scottish Government and Audit Scotland to work with participating bodies to consider how best to raise public awareness of the NFI and how its successful outcomes could best be publicised. This should involve a review of current practice and consideration of a more proactive and comprehensive advertising strategy. We stress that this work should be proportionate as we do not wish to focus unfairly on particular groups of people.</td>
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<td>• Audit Scotland published its latest report on the NFI in summer 2018. The report received a good level of coverage in the media. The report was published on the Audit Scotland website, and also promoted through social media (Twitter) in the lead up to and after publication.</td>
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<td>• Audit Scotland delivered a presentation on the outcomes from the 2016/17 NFI exercise at the CIPFA national conference in Bournemouth in July 2018.</td>
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<td>• Audit Scotland delivered presentations at the Scottish Local Authority Chief Internal Audit Group and Scottish Local Authority Investigators Group in September 2018 on the NFI including outcomes to date and future developments.</td>
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<td>• Audit Scotland has arranged engagement days in September 2018 with participating bodies and external auditors. These events aim to raise awareness of the importance of the NFI and to encourage participating bodies to increase their local promotion of the NFI, which could help to increase the public’s awareness of the NFI.</td>
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<td>• Audit Scotland is developing an e-hub on its website to help promote the NFI and other counter-fraud activity.</td>
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<td>• In February 2019, local external auditors will review arrangements in place in participating bodies for raising public awareness of the NFI and the outcomes.</td>
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<td>We believe that public bodies, in publicising the outcomes of the NFI, could also use this opportunity to report on any other successful anti-fraud measures. This would help to reassure the public that credible allegations of fraud are taken seriously</td>
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<td>• Audit Scotland “tweeted” various case studies from the previous NFI report in the lead up the publication of its July 2018 report on NFI.</td>
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<td>• Audit Scotland’s 2018 NFI report contains various case studies. For example, details of the NHS Scotland Counter Fraud Service’s behavioural science activity in its counter-fraud endeavours (case study 9 of report). Audit Scotland also issues other reports regarding fraudulent activity. A case in Dundee City Council which was subject to a police investigation was the subject of an audit report under Section 102(1) of the Local Government (Scotland) Act 1973.</td>
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- Individual NFI participants also promote their NFI work and other counter-fraud work locally in the media, for example Angus Council's work was recently highlighted in a local newspaper.

3  We were disappointed to hear that work is still required to ensure the effective follow up of matches. The **Scottish Government** should consider extending **Audit Scotland's** powers to enable it to place specific requirements on mandatory bodies where it appears they have been ineffective in investigating matches and therefore potentially allowing existing fraud or error to continue. Again, it is important that any such power be used proportionately.

- **Audit Scotland** has arranged NFI engagement days in September 2018 for participating bodies and auditors. These events will emphasise the importance of following up matches promptly.
- **Audit Scotland** has arranged for local external auditors and participating bodies to get together in February 2019 to consider the arrangements in place for reviewing the next batch of data matches (which will be shared by 31 January 2019).

4  It is important to the continued success of the NFI that local authorities have access to all the data they require and we heard a clear case that access to HMRC data would help. The **Scottish Government** should therefore determine whether a legal remedy is required on this issue and, if so, make representations to the Cabinet Office.

- **The Scottish Government** has advised that it is considering whether any legal changes are needed to ensure the NFI's continued success in Scotland.
- **Audit Scotland** has been working with the **Cabinet Office** and the Student Award Agency Scotland (SAAS) to facilitate a pilot where HMRC and credit reference data can be matched. The pilot aims to review student funding applications to establish additional economically active residents in the household whose financial details may have been omitted from student funding applications resulting in overpayments of student awards. The data matching has been completed and the matches are being reviewed with the aim of completing the pilot by the end of September 2018.

5  In general, we agree that any measures to increase the effectiveness of the NFI should be encouraged. We therefore call on the **Scottish Government** to consider whether there is evidence to show that any approaches adopted elsewhere in the UK have been successful and, if so, to revise Scottish legislation accordingly.

- **The Scottish Government** has advised that it will consider whether there is a need to strengthen Scottish legislation on the basis of approaches adopted elsewhere in the UK. The **Scottish Government** is also considering different approaches, such as the feasibility of a pilot for Housing Associations as detailed at action 7.
6. We call on the **Scottish Government** to clarify this issue (the legal position on accessing data from the electoral roll).

- **The Scottish Government** has looked into this issue with Elections policy officials who have advised that this is covered under regulation 106 of the Representation of the People (Scotland) Regulations 2001. This sets out how local authorities can use the register, and also covers the onward supply of the register to others for the discharge of a statutory function relating to security, law enforcement and crime prevention.

7. We believe all public bodies and private organisations in receipt of public money should participate in the NFI, where this would deliver clear benefits to the public purse.

- As mentioned at recommendation 4 above, the inclusion of HMRC into data matching for Scottish organisations is being piloted.
- The **Scottish Government’s** Housing and Social Justice Directorate has identified a number of housing associations which are willing to become involved in piloting aspects of the NFI in their organisations. This will be progressed over 2018/19.

8. Should the **Scottish Government** consider that further legislative change is not required to widen the scope of the NFI, we invite **Audit Scotland** to consider whether it could take further steps to encourage relevant organisations to participate voluntarily.

- As discussed at recommendation 7, **Audit Scotland** is working with the **Cabinet Office** and the **Scottish Government** to bring in new participants to the NFI. **Audit Scotland** has mandated Scottish Canals and the additional Scottish colleges to participate in the 2018/19 NFI exercise.
- **Audit Scotland** is also working with the **Cabinet Office** on a UK-wide basis on pilot activity looking at both new participating bodies and/or new data sets available for matching. The **Cabinet Office’s** team with responsibility for this pilot is giving a presentation on its work to Scottish NFI participant at an event organised by **Audit Scotland** in September 2018. This will help the **Cabinet Office** to identify potential new areas/organisations in which to carry out pilots and to possibly identify participants willing to volunteer for pilot activities.

9. We also invite **Audit Scotland** to consider whether, in reporting on future NFI results, it could provide further information on the overall cost-benefit ratio to the public sector. Further, where there has been a significant drop in fraud associated with a particular programme, we would welcome an assurance that this is due to more effective anti-fraud measures,

- **Audit Scotland’s** 2018 NFI report highlights a cost benefit analysis (para 66 of report). It concludes that
  "Many bodies do not keep separate records for NFI costs as it is just one of many counter-fraud activities they are doing. Those that did have records were able to estimate that their costs ranged from £255 to £40,000. This compares favourably with the average outcome for each public body in Scotland of £165,000 for the 2016/17 NFI."
rather than, for example, public bodies being unable to investigate fully.

Overall, the £18.6 million of outcomes from the 2016/17 NFI outweigh the costs.”

- Counter-fraud case studies were included in Audit Scotland’s 2018 NFI report, for example, the use of behavioural science in the NHS and the use of “tell us once” in councils. (Case study 3 of report)

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<th>We believe it is important to extend the NFI’s scope where this would clearly help to tackle fraud in any spending areas not currently covered. We also ask the Scottish Government to confirm that, where relevant, it takes the NFI into account when considering setting up new spending programmes. Given the scale of the new social security powers, we also seek confirmation of how much it will cost to align these new powers with the NFI.</th>
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<td>• The Cabinet Office’s fee for participating in NFI is determined by organisation type and activity level (number of datasets, records). Typical fees range from £1,000 (NHS boards, Police, Fire); £2,000-£3,850 for local authorities. Fees vary for other bodies from £1,050 to £13,500 for the Scottish Public Pension Agency. Audit Scotland meets these costs for participating through direct funding from the Scottish Government.</td>
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<td>• Audit Scotland has arranged that all colleges and Scottish Canals will be included in the 2018/19 NFI. Previously only larger colleges participated. Social Security Scotland will participate in future NFI exercises.</td>
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<td>• Audit Scotland is working with the Scottish Government and the Cabinet Office to develop a Non Domestic Rates pilot data match. Fife, Highland and South Lanarkshire councils have shown an interest in being included in such a pilot. The Scottish Government will fund the pilot which is due to commence early in 2019.</td>
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<td>We believe it is important to tackle those who repeatedly commit fraud in order to provide reassurance that systems are effective and that public money is not being wasted. We note the Cabinet Office is considering how to address the issue and we expect the Scottish Government to work with the Cabinet Office and Audit Scotland on this as a matter of urgency. We request an update on how the problem is being tackled.</td>
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<td>• The Cabinet Office:</td>
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<td>- Uses Amberhill police (identity theft) data in the NFI</td>
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<td>- Is piloting using Cifas private sector data (Cifas is a not-for-profit fraud prevention membership organisation)</td>
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<td>- Already highlights in the NFI system if the match has been identified before.</td>
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<td>12</td>
<td>We ask the Scottish Government, working with Audit Scotland, to provide an estimate of how much could potentially be saved by AppCheck, and to confirm how much its roll out in Scotland would cost and how it would be funded.</td>
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<td>• The Scottish Government has advised that it will look to possibly fund Appcheck (£1850 per year per local authority) for one or two bodies.</td>
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<td>• AppCheck results for Scotland at March 2018 were: 3 councils have contracts in place for AppCheck (East Dunbartonshire and North Ayrshire councils on a “pay as you use” basis and Inverclyde Council on an annual contract). Twelve additional Scottish bodies have undertaken the free trial of AppCheck.</td>
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- Appcheck outcomes recorded so far are that three applications have been declined in East Dunbartonshire Council.
  - One of these was a case study in Audit Scotland’s 2018 NFI report. A council tax discount/reduction application processed through Appcheck identified that an undeclared partner was resident in the property.
  - Another Appcheck case identified that an applicant for a taxi driver licence with a Glasgow address also had a tenancy in Milton Keynes. Milton Keynes Council was then able to recover the tenancy.
  - A housing waiting list applicant was identified as having a tenancy with another housing provider.
- An AppCheck demonstration for interested NFI participants is being organised by Audit Scotland in September 2018 at the NFI participants’ engagement sessions with the Cabinet Office.

| 13 | This is our first post-legislative scrutiny inquiry and we were pleased to hear the general consensus, with which we concur, is that the NFI is effective at protecting public money from fraud and error. We thank all those who provided suggestions as to how it could be made even more effective and look forward to receiving the Scottish Government’s response. |
| 14 | We call on the Scottish Government to confirm whether it is clearly able to distinguish the NFI’s success from other anti-fraud measures, and for how long the NFI can usefully continue as a stand-alone measure. |

- **Noted**
  - **The Scottish Government** has advised that it is considering this. Audit Scotland and the Cabinet Office delivered presentations to the National Counter Fraud Forum in August 2018 on the future plans for the NFI, including pilot activity and improvements to risk scoring and the NFI system and processes.