The Committee will meet at 10.00 am in the David Livingstone Room (CR6).

1. **Decision on taking business in private**: The Committee will decide whether to take items 4, 5 and 6 in private.

2. **Decision on taking business in private**: The Committee will decide whether its consideration of a draft report on key audit themes should be taken in private at future meetings.

3. **Section 23 report - Scotland's colleges 2019**: The Committee will take evidence on the Auditor General for Scotland's report entitled "Scotland's colleges 2019" from—

   Caroline Gardner, Auditor General for Scotland;

   Mark MacPherson, Senior Manager, and Mark McCabe, Audit Manager, Audit Scotland.

4. **Section 23 report - Scotland's colleges 2019**: The Committee will consider the evidence heard at agenda item 3 and take further evidence from—

   Caroline Gardner, Auditor General for Scotland;

   Mark MacPherson, Senior Manager, and Mark McCabe, Audit Manager, Audit Scotland.

5. **Annual report**: The Committee will consider a revised draft annual report for the parliamentary year from 12 May 2018 to 11 May 2019.

6. **Work programme**: The Committee will consider its future scrutiny of its work programme.
The papers for this meeting are as follows—

**Agenda Item 3**

Note by the Clerk  
PRIVATE PAPER

**Agenda Item 5**

PRIVATE PAPER

**Agenda Item 6**

PRIVATE PAPER
Public Audit and Post-legislative Scrutiny Committee
15th Meeting, 2019 (Session 5), Thursday 13 June 2019

Section 23 report – Scotland’s colleges 2019

Introduction

1. At its meeting today, the Committee will take evidence from the Auditor General for Scotland on her report Scotland’s colleges 2019.

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

Clerks to the Committee
10 June 2019

Annexe

REPORT BY THE AUDITOR GENERAL FOR SCOTLAND

SCOTLAND’S COLLEGES 2019

1. The Auditor General’s report was published on 4 June 2019. It provides an overview of the finances of the college sector in 2017-18, along with a number of aspects of performance, including student numbers, attainment and retention.

2. Key messages and recommendations from the report are:

   • Scotland’s colleges are operating within an increasingly tight financial environment. Incorporated colleges reported a slightly improved underlying financial surplus of £3.1 million in 2017-18, compared to an underlying deficit of £0.3 million in 2016-17. However, this sector-wide improvement masks significant variations between colleges, with several facing particular financial challenges.

   • The gap between colleges’ income and expenditure is widening and 12 out the 20 incorporated colleges were forecasting recurring financial deficits by 2022-23. Only a small number of these colleges had identified the actions needed to achieve financial sustainability. The gap between colleges’ income and spending will continue to widen without action and that makes financial planning even more important.
- The Scottish Government has been providing colleges with real-terms increases in revenue funding since 2016/17. The most recent increase, for 2019/20, covers only the additional cost of harmonising staff terms and conditions. Colleges also need to fund cost of living pay increases and any unfunded element of increases in employers’ pension contributions. Scottish Government capital funding falls short of what is needed to meet the estimated costs of maintaining the college estate. The Scottish Funding Council (SFC) and Scottish Government should agree and publish a medium-term capital investment strategy that sets out sector-wide priorities.

- The college sector exceeded its targets for learning activity and full-time equivalent student places in 2017-18. There remains considerable variation in student outcomes across colleges. Student numbers increased and the profile of students is continuing to change, with colleges providing more learning to students aged 25 and over. Colleges are widening access to disabled, ethnic minority and care-experienced students, but learning delivered to students from deprived areas fell slightly in 2017-18. Attainment gaps still exist for students from the most deprived areas, students with disabilities and for care-experienced students. The SFC and Scottish Government should review whether targets for college provision and student outcomes, including for students from deprived areas, remain relevant and realistic and the SFC should work with colleges to deliver the necessary improvements to meet agreed targets.

3. The SFC and colleges need to build on existing processes to improve financial planning and the transparency of reporting both finances and performance.