

AUDIT COMMITTEE

Tuesday 13 November 2001
(*Afternoon*)

Session 1

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AUDIT COMMITTEE

16th Meeting 2001, Session 1

CONVENER

*Mr Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Mr David Davidson (North-East Scotland) (Con)

COMMITTEE MEMBERS

*Scott Barrie (Dunfermline West) (Lab)

*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

*Paul Martin (Glasgow Springburn) (Lab)

*Mr Lloyd Quinan (West of Scotland) (SNP)

*Mr Keith Raffan (Mid Scotland and Fife) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Mr Robert Black (Auditor General for Scotland)

Mr Arwel Roberts (Audit Scotland)

CLERK TO THE COMMITTEE

David McGill

SENIOR ASSISTANT CLERK

Anne Peat

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 3

Scottish Parliament

Audit Committee

Tuesday 13 November 2001

(Afternoon)

[THE CONVENER *opened the meeting at 14:01*]

The Convener (Mr Andrew Welsh): I welcome committee members and any members of the public to the 16th meeting of the Audit Committee. We have received no apologies.

I also welcome Ruth Cooper, who will formally take up her duties as senior assistant clerk to the committee before our next meeting and who is with us this afternoon to take a first look at how we work.

“Overview of further education colleges in Scotland 1999/2000”

The Convener: The first item is consideration of the Auditor General for Scotland's report “Overview of further education colleges in Scotland 1999/2000”, which all members should have. I invite the Auditor General to brief the committee on his report.

Mr Robert Black (Auditor General for Scotland): This is the first overview report that Audit Scotland has prepared on further education in Scotland. The report draws on the work of the local appointed auditors for the financial year that ended in July 2000, but we have attempted to take the analysis beyond that point. As a result, members will see references to figures for the financial year that ended in July 2001. It is always important to report in context and to make overview reports as up to date as possible, although I should stress that the figures in the report that refer to the period up to this summer have not yet been audited. The audit reports on those figures will flow out over the next few months.

The report attempts to draw together some of the major issues that came out of the local audit reports for 1999-2000. I do not intend to go into any of those issues in detail, as I am sure that members will have had the opportunity to consider the report, which was published a little while ago.

The overview report examines three main areas, the first of which is the declining financial health of FE colleges in Scotland. The report contains statistics about trends and deficits since the mid-1990s. Secondly, the report considers the action taken by the department and, more recently, the

Scottish Further Education Funding Council to address some of those issues. Thirdly, the report mentions the potential impact of recent developments on the financial health of colleges this year and in future years.

I do not think that it is appropriate for me to say more than that at this stage. I will be happy to answer any questions.

The Convener: Do members have any questions?

Members indicated disagreement.

The Convener: The report is very full. However, we must still decide which organisations or individuals should give evidence on this matter. I suggest that we invite Mr Eddie Frizzell and Professor John Sizer, the accountable officers for, respectively, the Scottish Executive enterprise and lifelong learning department and SFEFC. Are members all agreed?

Members indicated agreement.

The Convener: Audit Scotland has provided members with a private briefing paper on the overview report. If they have a particular interest or wish to investigate any area covered by the briefing paper or the report, I encourage them to make direct contact with Audit Scotland officials in advance of the next meeting. Audit Scotland will be very happy to provide any further information or detailed briefing that members require to prepare for the evidence session.

Margaret Jamieson (Kilmarnock and Loudoun) (Lab): I wish to make a suggestion. Although it is all very well to take evidence from the accountable officers, the report highlights difficulties at college level. Certainly the college in my constituency has made representations to me about how it is funded and how things can be moved around for certain colleges but not for others. Although Kilmarnock College is one of the Scottish colleges that attract significant European funding, it has experienced difficulties. For example, because of the checks and balances that the college faces to secure the release of such funding, it has had to ask the bank for overdraft facilities on several occasions. We should examine what is happening at a lower level to find out why it is happening. Although we will hear grand words and all the rest of it from others, I want to hear from the sharp end about the delivery of funding.

Mr Keith Raffan (Mid Scotland and Fife) (LD): In the past four months, I have visited three of the seven FE colleges in my region. Like Margaret Jamieson, I am concerned by a number of specific issues that emerged, such as the reduction in staffing, changes in courses and the administrative uncertainty that arises when there is a change in

principal. However, although I agree that we must go to the sharp end and take evidence on some of those issues, perhaps the best course of action is to take evidence first from the accountable officers. We can then reflect on that evidence to find out the particular lines of inquiry we should pursue with the sharp end and the colleges we should ask to give evidence.

The Convener: Perhaps I can be of some help here. One of the difficulties is that we are dealing with an overview, but you are talking about specific colleges or a specific group of colleges. The Association of Scottish Colleges has asked to give evidence to the committee; indeed, it will be submitting written evidence. It may well be that once we have seen the written evidence, we can suggest that we take oral evidence from the association or from suitable colleges.

Mr Lloyd Quinan (West of Scotland) (SNP): Would it be appropriate in an overview to take evidence from the unions involved, particularly the College Lecturers Association and the Educational Institute of Scotland?

The Convener: That is a possibility. The organisations can submit written evidence, if they so wish.

Mr David Davidson (North-East Scotland) (Con): Can you or the clerks help to define what we are supposed to be doing? If we are carrying out an overview, there is the danger that we will get bogged down with the problems of one or two individual colleges. We should deal with the financial difficulties that are highlighted in the appendices at the back of the report and perhaps take written evidence from the colleges that are named as examples.

The Convener: We are certainly taking an overview.

Scott Barrie (Dunfermline West) (Lab): First and foremost, we must concentrate on the fact that we are carrying out an overview. Two years ago, when we first took evidence on this matter and expressed our concerns about what was happening, colleges were not actually named. Although we knew that eight to 10 colleges were in severe financial difficulty, there was a big debate about whether we could get that information and whether it could be made public. However, this time, we have quite detailed information about every college in the FE sector. Although we are carrying out an overview, in which it is appropriate to examine only certain general issues, colleges have specific issues, which the report groups together in a relatively logical way. We could have one evidence session that takes an overview and examines the general funding issues and difficulties in the FE sector, and then, on the basis of the better information that we will have

received, consider the specific issues that some colleges face. Perhaps that is a better way forward. Sitting here saying, "Maybe we should do this, maybe we should do that," almost prejudices what the accountable officers will tell us.

The Convener: That is wise advice. We must find out the focus of the overview and then keep focused on it.

Paul Martin (Glasgow Springburn) (Lab): I have several colleges in my constituency and they have told me of their individual experiences. It may be helpful to hear from a representative of the Glasgow colleges group on the reasons why those colleges have developed deficits. It may be as a result of their individual experiences or principals, for example. That might be a more beneficial way of obtaining evidence.

Mr Black: The second item on the committee's agenda is the response from the Scottish Further Education Funding Council to the committee's report on managing costs. It is a live issue. All the issues in my report are live and are developing all the time. As members will see from the helpful statement produced by the chief executive of SFEFC, Professor Sizer, there is a lot of work in progress. Indeed, that presented us with some difficulty in deciding the cut-off point of the overview report.

Some of the work in progress is due to come to a conclusion by the end of December. However, some important features, not least the overall strategy of supply and demand and the mapping of college needs and provisions will not be concluded before spring 2002 at the earliest. It may be difficult for the committee to take such issues further until we can see the shape of some of the work that is due to be completed next spring. It would be possible for Audit Scotland in the early months of next year to produce an overview that takes into account another financial year and updates the report. If the committee is minded to monitor the issue—it would be well advised to—it might consider revisiting it in the springtime when there will be up-to-date information and much of the work in progress will have reached a conclusion. If so, we might take a focused approach—that phrase was used a moment ago—on the basis of the overview report, with the possibility of revisiting the issue in late spring, before the summer recess, with extra information about all the developments that are taking place.

The Convener: We are not involved in a one-off process—there are on-going reviews that would allow us a second bite at the issue and an opportunity to focus if we so wish. This is a live issue. The suggestion is that we monitor the issue and revisit it in the spring if we want to consider specific examples.

We will receive written evidence from the Association of Scottish Colleges, which might give us some insight into what is going on.

Mr Black: I apologise if I have not been entirely clear. I am comfortable with the committee holding an evidence session on my report. However, I suggest that, at the moment, the committee should focus on a high level agenda, with a view to going further in the middle of next year, when we will be better placed to provide you with more detailed information.

The Convener: Thank you. We will discuss the matter at a subsequent meeting and we can pursue issues on an individual-college basis if members so wish. Are members content to leave it as an on-going process?

Members *indicated agreement.*

“Scottish Further Education Colleges: Managing Costs”

14:15

The Convener: I refer members to the progress report from the Scottish Further Education Funding Council and the accompanying summary paper. The paper is the follow-up response to points raised in our report “Scottish Further Education Colleges: Managing Costs”, which was published last year. At our meeting on 4 September we considered a response from SFEFC. The funding council agreed to come back to us with further information on the current financial situation in the FE college sector. That is the response that we have before us.

Does the Auditor General have any comments?

Mr Black: I will pass over to Arwel Roberts, who has analysed it in more detail.

Mr Arwel Roberts (Audit Scotland): The response brings the committee up to date on the various initiatives that the funding council is engaged in up to October 2001. It is worth pointing out that most of the issues referred to in the funding council update are covered in part 5 of the overview report that the committee has just discussed. Hitherto, the committee has been monitoring those developments separately, but now that we have produced an overview report on further education, the monitoring and overview processes come together. The committee has the opportunity to draw all the threads together into one process and one mechanism for monitoring FE. Much of the material that is reported by the funding council is work in progress. The council anticipates completing various initiatives by December or next spring.

Mr Black: We have put into the forward work programme a provision for a consideration of performance indicators in further education in the middle of 2002. The committee will recall that we carried out a report at the beginning of 2001 on the Scottish Environment Protection Agency in which we offered a commentary on the adequacy of its PIs. We envisage carrying out a similar exercise with the funding council over the next few months.

The Convener: The analysis of the funding council's response shows clearly the detailed on-going monitoring process. The committee recommended that the council should report on the root-and-branch review of the sector and on the action planned to tackle college deficits, improve college management, and rationalise further education provision in Scotland. Recent

developments in areas such as supply and demand are covered by the Auditor General's report on the further education colleges. We will take evidence on that on 27 November.

The funding council has established and is chairing a joint steering group with the Glasgow colleges group. That is also covered by the Auditor General's report and we will take evidence on it on 27 November. The council says that it has a new forward-looking approach and has produced a new funding formula—considered in detail and observed in action—on which it will make further comment.

On management review, the council has asked each college to prepare an action plan for implementing the review's recommendations. Consultants have reviewed each college's action plan. The Auditor General is planning a report on performance measurement in the FE sector for publication in the middle of 2002. Issues arising from the management review will be covered by that report.

The committee asked for improvement in the forecasts of the financial health of the sector. The Auditor General's report will contain a full analysis of the financial health of the sector and we will take evidence on that. There has been progress on the points that we raised. A full analysis of the sector's financial health will be contained in the report that we will deal with on 27 November.

We asked for a review of recovery plans in the remaining 10 colleges that are in poor financial health. We will receive that. We asked for a review of the estates strategy and the scale of any backlog maintenance and plans to invest further in infrastructure. That is covered in the Auditor General's report and we will be dealing with it.

We asked for the development of benchmarking, and performance indicators including a balanced scorecard. We also asked for plans to improve college costing systems. Again, the Auditor General is monitoring the progress that has been made by the council in implementing the action plan and will report results in future overview reports. Issues arising from the management review will also be covered by the Auditor General's report on performance indicators in the further education sector.

We asked for a target for efficiencies that can be achieved without harming the quality of education. Again, that should be covered in the Auditor General's report, which will be published in the middle of 2002. He will also cover the potential for developing efficiency targets. In every case, the funding council has responded to the specific points that we made. It is work in progress that the Audit Committee will monitor. It is an important element of the work of the Scottish Parliament that

we have regular reporting—rather than one-off reports—to ensure that the public gets maximum value and quality provision in the further education sector.

Does the committee agree to continue to monitor developments on the issues in the response as part of the scope of the inquiry into the new overview report on FE colleges from the Auditor General?

Members indicated agreement.

Auditor General for Scotland (Scope of Activities)

The Convener: I ask members to look at the letter that I received from the Minister for Finance and Local Government and at the paper by the clerk. The letter relates to proposed changes to the scope of activities of the Auditor General. The clerk has provided a summary paper on the issues involved. Members will note that the minister has asked us to feed in any views or comments. I understand that the list of bodies attached to the minister's letter is only a draft and takes no account of the on-going review of public bodies. A consultation document is being considered and the list may change before the orders are made. The final position will be checked before the orders are drafted by lawyers.

Are members content with the proposals? Do members agree to note the letter, welcome the changes that will be made and reply in such terms to the minister?

Members *indicated agreement.*

The Convener: The next meeting of the Audit Committee will be on Tuesday 27 November, when the committee will consider a draft report on Moray College.

Meeting closed at 14:23.

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