City of Glasgow College

2023/24 Annual Audit Report

AUDIT SCOTLAND

Prepared for the City of Glasgow College and the Auditor General for Scotland

December 2024

Contents

Key messages

2023/24 annual report and accounts

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2 The annual report and accounts were submitted for audit in line with the agreed timetable.

Financial management and sustainability

3 The College reported an operating deficit of £0.8 million and an underlying operating surplus of £130,000 for the year to 31 July 2024.

4 The College has appropriate financial arrangements in place with controls generally operating as expected.

5 The 2024/25 budget forecasts a deficit for the fourth successive year.

6 Controls within the main financial systems are operating effectively, while standards for the prevention and detection of fraud remain appropriate.

7 The College has developed a five-year financial plan covering the period to 2027/28 outlining how services will be delivered longer term.

Vision, leadership and governance

8 The College has a clear vision and strategy and has appropriate arrangements in place to monitor progress.

9 Governance arrangements are appropriate and there is a good range of information on the College website.

Use of resources to improve outcomes

10 The College has clear arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements.

11 The College has effective and appropriate high-level arrangements in place to help it achieve best value.

12 The College has developed an appropriate performance management framework which links to its Strategic Plan.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of City of Glasgow College (the College). The scope of the audit was set out in an Annual Audit Plan presented to the 11 June 2024 meeting of the Audit and Assurance Committee (AAC). This Annual Audit Report comprises:

- significant matters arising from an audit of the College's annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

2. This report is addressed to the Board of the College and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. Mark Laird has been appointed by the Auditor General as auditor of the College for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of this five-year appointment. However, responsibility for the audit was assigned to Peter Lindsay for 2022/23 only, due to a change in availability.

4. We would like to thank Board members, AAC members and City of Glasgow College staff for their cooperation and assistance in this year's audit, and we look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

5. The College has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the account's direction from the Scottish Funding Council (SFC). The College is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice and supplementary guidance, and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to attention during my team's normal audit work and may not be all that exist. Communicating these does not absolve management of the College from its responsibility to address the issues raised and to maintain adequate systems of control.

8. This report contains an agreed action plan at Appendix 1. It sets out specific recommendations, the responsible officers, and dates for implementation.

Communication of fraud or suspected fraud

9. In line with ISA 240, in presenting this report to the AAC we seek confirmation from members of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members of the AAC have any such knowledge or concerns relating to the risk of fraud within the College, we invite them to communicate this to the appointed auditor for consideration.

Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £67,140 as set out in my 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. The annual audit adds value to the College by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

The annual report and accounts were submitted for audit in line with the agreed timetable.

Audit opinions on the annual report and accounts are unmodified

12. The Board approved the annual report and accounts for the College for the year ended 31 July 2024 on 11 December 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor, the financial statements:

- give a true and fair view of the state of the college's affairs as at 31 July 2024 and if its surplus for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Overall materiality was assessed as £1.85 million

13. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

14. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£1.85 million
Performance materiality	£1.2 million
Reporting threshold	£74,000

Source: Audit Scotland

15. The overall materiality threshold was set with reference to gross expenditure, which was judged as the figure most relevant to the users of the financial statements.

16. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 65% of overall materiality. This is unchanged from the prior year. We did not increase this level due to a number of audit adjustments made in the prior year.

17. It is our responsibility to request that all misstatements, other than those below our reporting threshold are corrected. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

18. Under ISA (UK) 260, we communicate significant findings from the audit to the Board, including my view about the qualitative aspects of the College's accounting practices.

19. The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance. The significant findings are summarised in Exhibit 2.

Exhibit 2
Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
1. Job Evaluation Liability The 2023/24 accounts direction was late in being issued by the Scottish Funding Council (SFC) on 18th September 2024. When issued it referred to the job evaluation exercise which has been ongoing since 2018 as part of national bargaining discussions. In previous years, the SFC has instructed colleges to accrue both income and expenditure based on estimated future costs arising from this exercise. This was communicated via the annual accounts directions and the estimated costs were based on an exercise completed by Colleges Scotland in 2018. For the College these annual estimated costs were £0.9 million. The 2023/24 accounts direction confirmed that grant funding held by the SFC in reserve to meet the future costs had been returned to the Scottish Government in 2022/23. It also confirmed that the Scottish Government now considers that no valid expectation has been determined regarding whether a liability exists at the reporting date. Consequently, it advised colleges to disclose a contingent liability for the exercise. The College recognised the job evaluation as a contingent liability in the draft 2023/24 Annual Report and Accounts and removed the prior-year accrual. The SFC subsequently issued an amendment to the Accounts Direction advising the costs of the exercise should be recognised and a liability provided for the total cost of the exercise to date. Given the timing of the outflow of benefits remains uncertain, a provision was deemed the most appropriate accounting treatment.	The 2023/24 accounts have been appropriately adjusted, and the 2022/23 figures restated. The impact is an increase in staff costs of £0.9 million and a corresponding increase in provisions of £0.9 million in 2023/24. The prior-year figures have been restated, with the £4.7 million in accruals moved to provisions and the £4.7 million SFC grant income derecognised. The liability for both 2022/23 and 2023/24 was adjusted through the college's adjusted operating position calculation as it has been agreed the funding commitment rests with the Scottish Government.
2. Capital Commitments A presentational error was identified in note 26 - capital commitments in the accounts where capital commitments were understated by £0.7 million in 2023/24 and £0.5 million in 2022/23. This was due to the figure not including all approved capital	Note 26 - Capital Commitments were increased by £0.7 million for 2023/24 and £0.5 million for 2022/23.

Issue	Resolution
expenditure and instead showed total spend in-year. This was corrected by the finance team, but it did not require an adjustment to the main financial statements as the error was confirmed to be disclosure-related only. Moving forward, the finance team advised that a capital expenditure draft budget report will be presented to the Finance Committee each year for approval of the proposed capital spend for the coming year.	

Source: Audit Scotland

Audit work responded to the risks of material misstatement identified in the annual report and accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. Exhibit 3 sets out the significant risks of material misstatement to the annual report and accounts identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3
Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
1. Risk of material misstatement due to fraud caused by management override of controls As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	• Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other	We undertook the assurance procedures as planned and found: • The journal authorisation control was operating effectively. • Management is not aware of inappropriate or unusual activity. • Detailed testing of journal entries and unusual transactions did not identify any errors. • There were no significant transactions outside of the normal course of business. • No issues identified with the controls in place for

Audit risk	Assurance procedure	Results and conclusions
	adjustments throughout the year. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.	identifying and disclosing related party transactions. • Satisfied that changes to accounting estimates were based on a change in information provided to the College. • Substantive testing of income and expenditure confirmed that transactions were accounted for in the correct financial year and no errors were identified. • No errors were identified in the accruals and prepayments testing.
2. Estimation in the valuation of land and buildings There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions, and changes in these can result in material changes to valuations.	• Review the information provided by the college to the external valuer to assess for completeness. • Review detailed working papers to support asset reviews and impairments. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the valuation process and management's involvement in this to assess if appropriate oversight has occurred. • Critically assess the approach the college has adopted to assess the risk that assets not subject to	• We ensured the College carried out an impairment review and shared the results with the valuer. • We carried out a review of the valuer and confirmed that they were appropriately qualified and objective. • We attended a meeting with the valuer to obtain an understanding of the valuation process. • We confirmed that the valuer was independent of the College and that management appropriately considered the advice provided.

Audit risk	Assurance procedure	Results and conclusions
	valuation are materially misstated and consider the robustness of that approach. • Critically assess the adequacy of the college's disclosures regarding the assumptions in relation to the valuation of land and buildings.	• We reviewed the disclosures in the accounts and confirmed they were consistent with supporting material, including the valuers report.
3. Estimation in the valuation of pension asset/liability The actuarial valuation depends on a range of financial and demographic estimations about the future. The subjectivity around these estimates gives rise to a significant risk of material misstatement.	• Consider the accuracy and completeness of information provided to the actuary. • Evaluate the professional competence of the actuary. • Consider the appropriateness of assumptions used by the actuary. • Consider the reasonableness of actuarial estimates on material elements of the valuation.	• We confirmed the College provided the actuary with relevant and accurate information. • We carried out a review of the actuary and confirmed that they were appropriately qualified and objective. We also used the work of an auditor's expert to support this assessment. • We attended a meeting between the College and the actuary to confirm that management appropriately considered the advice provided and offered challenge where necessary. • We confirmed disclosures were consistent with supporting records, including advice from the actuary.

Source: Audit Scotland

A material adjustment of £5.6 million was made to the financial statements

21. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

22. As detailed in Exhibit 2, a material adjustment relating to the accounting of the job evaluation liability was required. The 2023/24 annual report and accounts now recognise a provision rather than an accrual, as was the case in previous years. The 2022/23 accounts were also restated due to confirmation that the funds being returned to the Scottish Government during the 2022/23 financial year.

The unaudited annual report and accounts were received in line with the agreed audit timetable

23. The unaudited annual report and accounts were received in line with our agreed audit timetable on 1 October 2024. The complete working papers package was received slightly later.

Substantial progress was made on prior year recommendations

24. The College has made substantial progress on prior year recommendations, implementing 7 out of the 8 agreed actions. For the action not yet implemented, a revised response and timescale has been agreed with management, and is set out in Appendix 1.

2. Financial management and sustainability

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The College reported an operating deficit of £0.8 million and an underlying operating surplus of £130,000 for the year to 31 July 2024.

The College has appropriate financial arrangements in place with controls generally operating as expected.

The 2024/25 budget forecasts a deficit for the fourth successive year.

Controls within the main financial systems are operating effectively, while standards for the prevention and detection of fraud remain appropriate.

The College has developed a five-year financial plan covering the period to 2027/28 outlining how services will be delivered longer term.

The College reported an operating deficit of £0.8 million and an underlying operating surplus of £130,000 for the year to 31 July 2024

25. The College reports its financial performance over the academic year to 31 July. It must meet the resource expenditure limits set by the Scottish Government Lifelong Learning Directorate through the SFC. These require the college to break even at 31 July against its agreed budget.

26. As shown in Exhibit 4, the College reported an operating deficit for the year to 31 July 2024 of £0.8 million (£7.5 million deficit in 2022/23) in its Statement of Comprehensive Income (SoCI). This represents a movement of £6.7 million since 2022/23.

Exhibit 4
Financial performance in 2023/24

Financial performance	2023/24 (£m)	2022/23 (restated) (£m)	Difference (£m)
Income	92.4	92.4	0
Expenditure	(93.2)	(99.9)	6.7
Surplus/(Deficit)	**(0.8)**	**(7.5)**	**6.7**

Source: City of Glasgow College annual report and accounts 2023/24

27. The position reported in the SoCI includes the impact of non-cash charges such as depreciation and pension adjustments, and capital grants recognised as income. It also excludes other commitments funded from revenue including the allocation of revenue funding for loan repayments. To enable an assessment of the underlying financial strength of an institution, and allow comparison across institutions, the 2023/24 accounts direction from the Scottish Funding Council requires colleges to also report the adjusted operating position for the year by adjusting for these items and any one-off exceptional items impacting on the annual position reported in the SoCI.

28. The adjusted operating position of the college, reported within the performance report, shows an underlying operating surplus of £130,000 (£0.1 million rounded) for the year to 31 July 2024 (£2.8 million deficit in 2022/23), as shown in Exhibit 5.

Exhibit 5
Adjusted operating position in 2023/24

Adjusted operating position	2023/24 (£m)	2022/23 (£m)	Movement (£m)
Surplus / (Deficit) before other gains and losses	(0.8)	(7.5)	6.7
Depreciation (net of deferred capital grant release)	5.7	5.6	0.1
Non-cash pension adjustments	0.2	0.5	(0.3)
NPD income applied to reduce NPD balance sheet debt	(5.9)	(6.1)	0.2
Costs of middle management job evaluation exercise not matched by revenue	0.9	4.7	(3.8)
Adjusted Operating Surplus/(Deficit)	**0.1**	**(2.8)**	**2.9**

Source: City of Glasgow Council annual report and accounts 2023/24

Schemes of both voluntary and compulsory redundancy saw 73 employees leave the college in 2023/24

29. The voluntary severance (VS) scheme was initially opened for applicants in November 2022 and consultation on compulsory redundancies commenced in May 2023. These schemes resulted in 63 employees leaving through VS and 10 employees leaving through compulsory redundancy at a total cost of £1.6 million. This is projected to achieve a cumulative £4.8 million in savings.

30. As colleges are funded through achievement of credit targets (based on hours of learning activity), the college will need to carefully manage its redundancies to ensure credit targets can be achieved. The SFC has reduced credit targets by 10% which will help ease this process to some extent, but it will remain a challenge.

31. The College has committed to no compulsory redundancies in 2024/25, therefore it is anticipated this risk will reduce.

Budget processes were appropriate and are well established

32. Both the Finance Committee (formerly Finance and Physical Resource Committee) and the Board of Management regularly inspect management information and compare forecasts to understand the current projected outturn.

33. The initial budget was presented to the Board in June 2023 setting out an underlying deficit position of £2 million, including efficiency savings of £6 million to be achieved. In March 2024, the forecast deficit had reduced to £1.5 million and in June 2024 this had reduced further to £0.2 million. The main variances resulting in the overall surplus of £0.1 million are included at Exhibit 6.

Exhibit 6
Summary of significant variances against budget

Area	£m	Reasons for variance
Favourable		
Release of SFC maintenance grant	0.9	Release of capital/revenue grant held since 2022/23
Release of Young Persons Guarantee/National Training and Transition grant	0.7	Grant released as no claw back from previous years confirmed
Savings from strikes	0.9	Staff costs saved due to industrial action in year
Savings from vacancies	0.8	Staff costs saved due to unfilled vacancies
Reduced Strathclyde Pension Fund contribution	0.6	Pension costs saved due to agreed reduction in employers contribution rate
Adverse		
Reduced fee income	0.5	The Student Recruitment Plan saw a reduction in fees
Budget savings not achieved	0.6	Savings on goods and services included in initial budget not achieved in year
International project costs	0.4	Increased costs associated with new international work

Source: City of Glasgow College 2023/24 Financial Forecast Updates

34. We observed that senior management and members receive regular and accurate financial information on the body's financial position. The College has appropriate budget setting and monitoring arrangements and has demonstrated good practice through their continued revision of financial outturn based on emerging information.

Current levels of capital funding do not meet capital and maintenance needs

35. For 2023/24, the College's capital and maintenance needs outweighed the level of grant provided by the SFC. As reported in 2022/23, a four-year plan is in place to phase and prioritise capital expenditure and maintenance and the College has supplemented SFC grant funding with funds from the City of Glasgow College Foundation in recent years. However, the Foundation's balance is diminishing so reliance is not sustainable.

36. In 2023/24, the capital and maintenance grant funding of the College was £1.4 million, which is significantly below the £3 - 5 million required per annum, and as such, a phased and prioritised approach to allocation is used.

37. Indicative SFC Funding Allocation indicates a cash flat settlement capital grant during 2024/25 of £1.3 million. To meet capital expenditure requirements of £1.4 million, management have assumed funding from the Foundation of £0.3 million. From 2025/26 onwards, funding from the College, generated from other operating activities of £1 million per year over and above the SFC capital funding of £1.3 million has also been assumed over the four year plan.

38. Based on the above, the College will look to review future plans with a view to prioritising business critical spend and look to phase projects over a longer period of time.

Our review of the systems of internal control identified some areas for improvement

39. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we identified some internal control weaknesses. In particular there was no payroll employee validation exercise carried-out in 2023/24 and we identified a lack of segregation of duties when processing new starts and leavers. As part of our final accounts audit we substantively tested staff costs and did not identify any errors in our sample.

40. Audit work has been undertaken to provide an audit opinion on the annual report and accounts, and in response to additional responsibilities set out in the Code of Audit Practice. The control deficiencies reported here are limited to those we identified while completing audit work for these purposes.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

41. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

42. The College has adequate arrangements in place to prevent and detect fraud or other irregularities.

National Fraud Initiative

43. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The 2022/23 exercise concluded during the 2023/24 financial year and the final report on the outcome of the exercise was published in August 2024.

44. The College did not participate in the 2022/23 exercise. However, they are now enrolled and submitting 2023/24 payroll and creditor datasets with a view to identify duplicate creditor payments, undeclared interests (through matching of payroll to creditors and to Companies House), and instances where staff may have jobs with other public sector bodies. We will report on the results of the 2023/24 exercise as part of our 2024/25 Annual Audit Report.

The SFC Report on Financial Sustainability of Colleges in Scotland 2020/21 to 2025/26 outlines the financial implication on the college sector in Scotland

45. The SFC Report on Financial Sustainability of Colleges in Scotland 2020/21 to 2025/26 was issued in January 2024. The report highlighted that the financial position of colleges is deteriorating and operating deficits are projected for the next 3 years; 8 colleges reported deficits in 2021/22, 17 are forecasting deficits in 2023/24, reducing to 13 in 2024/25 and 2025/26.

46. Significant staff reductions of 2,387 FTEs are projected over the period 2022/23 through to 2025/26 (21% of FTE staff employed in the sector). Staff reductions are expected through a combination of vacancy management (1,130), voluntary severance schemes (1,103) and compulsory redundancies (154).

47. By the end of July 2026 there is forecast to be a cash deficit position of £4.2 million from an aggregate positive cash balance of £141.4 million at the end of July 2022. The position beyond 2023/24 is uncertain. The budget for 2024/25 will be particularly challenging and there remains uncertainty about future year allocations.

Scotland's Colleges 2024 highlighted the significant financial challenges facing the sector

48. Audit Scotland's, *Scotland's Colleges 2024* report, recognised that the Scottish Government's funding for the college sector has reduced by 17% in real terms since 2021/22. Resource funding for the sector was static for three years from 2021/22, amid significant increase in costs, followed by a cash-terms reduction of £32.7 million.

49. In light of this risk, we reviewed the college's 2024/25 budget and financial plans, including the medium to long-term. We also considered the measures the College has taken and has planned to respond to these significant challenges.

The 2024/25 budget forecasts a deficit for the fourth successive year

50. The 2024/25 budget was agreed in June 2024 at a deficit of £0.5 million and a projected year-end cash balance of £4 million.

51. The budget assumes a cumulative pay award of £2,000 with effect from 1 September 2022, and £1,500 with effect from 1 September the two years thereafter. The budget also incorporates increased fee and contract income of £2.5 million and no costs associated with voluntary or compulsory severance for 2024/25. However this is set against an overall decrease in SFC funding of £2.2 million and an increase in faculty and property costs of £2.5 million compared to 2022/23.

52. A 2024/25 financial scenario planning paper was prepared in March 2024, noting key assumptions, dependencies and sensitivities. The plan forecasts that an optimistic outcome would result in an underlying surplus of £0.7 million. A realistic outcome would result in an underlying deficit of £1.8 million and would require a 32 FTE reduction. A pessimistic outcome would result in an underlying deficit of £6.8 million and would require a 121 FTE reduction.

53. The realistic financial assumptions produces a reducing available cash balance due to the underlying deficits. Therefore, any material adverse movements in key assumptions towards the pessimistic scenario would have a detrimental impact on the College's financial viability and ability to operate without additional funding being made available.

The College has developed a five-year financial projection

54. The College has developed a five-year financial projection from 2023/24 to 2027/28 which incorporates key assumptions, dependencies and sensitivities potentially impacting the College's long-term financial sustainability. These assumptions appear reasonable but should be kept under review in light of changes in the wider economy.

55. The projection presents a scenario planning approach taking into account a 'do nothing' approach steady with inflation; and a steady income growth of commercial income through new business and efficiencies through staff and non-staff costs scenario.

56. As part of the forecast, the College monitors its cash position. While the cash position is currently relatively healthy, the forecast shows that may change in the coming years.

57. Exhibit 7 shows a projected underlying deficit for 2024/25, with an underlying surplus being achieved by 2025/26, and beyond, if income growth and efficiencies can be realised. It is anticipated that this would be achieved by embedding staff efficiencies from 2025/26 onwards after the increase in Strathclyde Pension Fund employer contribution rates together with commercial income growth and ongoing efficiencies.

Exhibit 7

Projected underlying operating and closing cash balance positions

'Do nothing'	2024/25 £'million	2025/26 £'million	2026/27 £'million	2027/28 £'million
Underlying operating surplus / (deficit)	(0.514)	(1.152)	(3.279)	(4.474)
Closing cash position	3.416	2.263	(1.020)	(5.498)
Income growth and efficiencies	**2024/25 £'million**	**2025/26 £'million**	**2026/27 £'million**	**2027/28 £'million**
Underlying operating surplus / (deficit)	(0.514)	£0.348	£0.221	1.026
Closing cash position	£3.416	£2.764	£1.985	2.012

Source: City of Glasgow College Financial Projection Five-Year View

58. The five-year financial projection includes staff efficiencies of £0.75 million in 2025/26, £2 million in 2026/27 and £3 million in 2027/28, as well as non-staff efficiencies of £0.25 million in 2025/26, £0.5 million in 2026/27 and £0.5 million in 2027/28. Savings plans should be further developed outlining how these efficiencies will be achieved. This will ensure planned savings are clear and achievable.

Recommendation 1

Savings plans should be further developed to outline how planned efficiencies in the five-year financial projection will be achieved.

3. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

The College has a clear vision and strategy and has appropriate arrangements in place to monitor progress.

Governance arrangements are appropriate and there is a good range of information on the College website.

The College has a clear vision and strategy and has appropriate arrangements in place to monitor progress

59. The college has a strategic plan which covers the period from 2021-2030. This sets out the strategic priorities and supporting strategies. All documents are available on the College website.

60. Progress is measured and tracked through the college's Balanced Scorecard. These annually outline progress against strategic priorities, as per the strategic plan. It provides an update using a RAG (red, amber, green) status style of reporting as well as giving more detail behind each priority. This allows members to challenge and scrutinise progress made against the objectives. The Board review the Balanced Scorecard as part of its annual Strategic Planning Day, making any relevant recommendations.

61. It is evident that the College has a clear vision supported by effective monitoring.

Governance arrangements are appropriate

62. The College's governance arrangements have been set out in the Governance Statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate and effective.

63. Papers and minutes for Board and appropriate committee meetings, including financial and performance information are made available on the college's website.

64. Our observations at Audit and Assurance Committee meetings, in particular, throughout the year has found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

The external effectiveness review highlighted the strength of the Board but recognises a period of change in membership

65. The College commissioned an external effectiveness review, carried out by the College Development Network, which was reported to the Board in June 2024. The review concluded that the College has "*a highly effective and skilled Board which benefits from strong leadership and clearly determines the vision, strategic direction, and educational character for the college*".

66. However, the review also recognised the Board is in transition, going through a period of significant turnover. Six new members joined in 2023/24 and further new members recruited in 2024/25. The previous Chair retired at the end of the academic session and a new Chair has been appointed.

67. Recommendations from the review were included in the Board Development Plan for 2024/25 that was approved at the October 2024 Board meeting. Progress is due to be reported to the Conveners' Committee and the Board throughout the year.

4. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

The College has clear arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements.

The College has effective and appropriate high-level arrangements in place to help it achieve best value.

The College has developed an appropriate performance management framework which links to its Strategic Plan.

The College has developed an appropriate best value framework

68. Ministerial guidance for public bodies and the Scottish Public Finance Manual (SPFM) sets out management's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

69. Following a recommendation in our 2022/23 Annual Audit Report, management produced a formal Best Value document. This details the overall Operational Plan Key Strategic Priorities and how these link to the BV characteristics. It also shows the Performance Measures Hierarchy used to measure performance against the Key Strategic Priorities.

70. The document was presented and approved by the Senior Management Team on 21 August 2024 and the Finance Committee on 27 November 2024.

The College has developed an appropriate performance management framework which is linked to its Strategic Plan

71. Securing the economical and effective management of the College's resources and expenditure is the responsibility of management. The Financial Memorandum between the SFC and the College requires the college:

- to have a strategy for reviewing management's arrangements for achieving value for money
- as part of internal audit arrangements, obtain a comprehensive appraisal of management's arrangements for achieving value for money.

72. The College's Strategic Plan (as set out at 59. details how it plans to achieve value for money. It identifies eight strategic priorities, under four themes, and five supporting strategies to deliver.

73. Annual monitoring reports submitted to the Board provide members with a balanced scorecard showing progress against each Key Performance Indicator (KPI) under the eight priorities using RAG status. The most recent report in November 2024 shows that 18 of the KPIs were rated green (19 last year), five amber (one last year) and six were rated as red (three last year). Two indicators did not have data available as this was not collected for the year.

74. Overall, this shows a slight decline on the prior year performance. However, the college rated the scorecard as green, identifying that "the College remains on track with its adjusted growth position, noting the significant external challenges the College will continue to face, especially the contraction of the college sector".

75. In respect of the College's aim to be sector leading, they have rated this as amber, identifying that "when benchmarked with the sector and the region, the College is behind where it expects to be". This reflects the assessment that the College are behind the sector in relation to student satisfaction, student attainment and retention of learners. They are however high performing in areas such as volume of provision delivered, learner destinations, and the proportion of staff with a Teaching Qualification for Further Education (TQFE).

76. Much of this data is represented in the annual report and accounts, within the performance report section. The level of coverage varies and while some are presented in tabular form, others are presented in narrative. From review, the level of reporting appears reasonable and appropriate and provide readers with a sense of the College's overall performance.

Student attainment levels show improvement on the previous year

77. The performance indicators described previously include those measuring academic attainment. These are measured against each of the four modes of education, along with previous years' data to allow for trend analysis. Exhibit 8 summarises this data.

Exhibit 8
Successful outcomes for Further Education (FE) and Higher Education (HE) on Recognised Qualifications – trend analysis

Successful outcomes	2023/24	2022/23	2021/22	2020/21	2019/20
Full-time FE	58%	52%	52%	62%	69%
Full-time HE	65%	63%	63%	77%	77%
Part-time FE	77%	76%	84%	84%	83%
Part-time HE	78%	75%	80%	82%	82%

Source: City of Glasgow College annual report and accounts 2023/24

78. The data shows that successful outcomes have increased from the prior year, returning to a level closer to the years previous.

79. Although withdrawal was lower in 2022/23, it was higher than the College expected. Local and national industrial action undertaken by lecturers at the end of the academic year may have also impacted upon the completion of assessments.

80. Overall, the College is delivering service levels consistent with its strategic objectives. However, improvements where performance has declined should be prioritised.

City of Glasgow College is working effectively with partners to meet stated outcomes and improvement objectives

81. Our outcomes for public audit note that tackling complex social and environmental challenges requires better collaboration across public bodies, with an increase in the pace and scale of reform needed across the Scottish public sector. While public bodies need to deal with immediate financial pressures, they also need to change how services are delivered to people in a way that more effectively meets their needs.

82. Customer Service Excellence is a national quality mark that seeks to recognise organisations that have a customer-focused culture. It is also designed to promote continuous improvement. The College's most recent audit took place in June and focussed on stakeholder engagement and business and overseas partners.

83. In 2023/24, the College met the standards of the Customer Service Excellence award and achieved recertification, retaining recognition for all services considered to be achieving 'compliance-plus'.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. **Savings plans** The current five-year financial projection does not fully detail how planned savings will be achieved. *Risk – planned savings are unachievable, putting further pressure on financial sustainability.*	Savings plans should be further developed to outline how planned efficiencies in the five-year financial projection will be achieved. Paragraph 58.	**Accepted** Savings identified in 5 year plan will be further developed to identify specific areas where savings will be made. *Chief Financial Officer* *May 2025*

Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
b/f 1. Prepayments Our testing of expenditure transactions identified some minor errors where prepayments had not been recognised with regard to goods/services received which covered two accounting periods. *Risk – expenditure and receivables are not reflected accurately in the financial statements.*	Management should consider their process around identification and recording of prepayments in the financial ledger. Action - Prepayments will be reviewed by the management accountant quarterly. *Head of Finance* *January 2024*	**Implemented** A sample of high-value prepayment balances at the 2023/24 year-end were selected for sample testing. All were agreed to supporting evidence and were confirmed as being accounted for correctly.
b/f 2. Asset tagging We identified through our testing of non-current assets that assets in the ‘other	The college should consider tagging all equipment assets to ensure each can be uniquely identified.	**Work in progress** The asset tagging exercise had started in 2023/24, with the recruitment of the asset

Issue/risk	Recommendation and agreed action	Progress
equipment' category are not physically uniquely identified with a college asset tag. Only IT equipment is tagged. *Risk – the completeness of the asset register cannot be confirmed as physical assets cannot be uniquely identified.*	Action - Once the asset manager is hired a system for tagging equipment assets will be put in place. *Head of Procurement* *March 2024*	manager. This will be extended into 2024/25. <u>Revised action:</u> The college has prioritised tagging high-cost assets (value above £1,000) as part of a structured 3-year plan. To date 86% of relevant assets have been tagged. This initiative marks a significant step towards improving asset tracking and will be extended in 2025/26 to ensure broader coverage i.e. assets with a value above £500. *Associate Director, Procurement & Asset Management* *December 2024*
b/f 3. NFI data submission For the current exercise, City of Glasgow College did not submit any data. The college should have submitted payroll and creditors datasets with a view to identification of duplicate creditor payments, undeclared interests (through matching of payroll to creditors and to Companies House), and instances where staff may have jobs with other public sector bodies. *Risk – the college do not identify and investigate potential frauds that could be flagged through the NFI exercise.*	The college should submit the necessary data for each NFI exercise to ensure potential frauds can be identified and investigated. This would provide further assurance over fraud risk. Action - The College will submit payroll and creditor datasets data for the next NFI return. *Chief Financial Officer* *As per NFI Timetable once issued*	**Implemented** The College is now enrolled and has submitted payroll and creditor datasets into the 2023/24 NFI exercise.
b/f 4. Medium to long-term financial planning Although the college reflect their medium-term financial plans within the FFR's, they	The college should develop a formal medium and long-term financial plan to make clear their plans to respond to the challenging financial outlook.	**Implemented** The College has developed a five-year financial projection from 2023/24 to 2027/28. This was presented to the 5

Issue/risk	Recommendation and agreed action	Progress
do not currently have a formal medium or long-term financial plan in place. *Risk – Financial plans are not sufficient to support financial sustainability in the long-term.*	Action - A five-year financial plan has been tabled at Finance Committee and will be annually in conjunction with budget approval in June going forward. *Chief Financial Officer* *November 2023*	June 2024 Finance Committee.
b/f 5. Best Value framework Our review confirmed that the college does not have a formally agreed document that details the arrangements in place to support the best value characteristics. The best value process could be further enhanced by producing a document that is updated annually detailing the arrangements that support the characteristics. The annual update should be presented and approved by the Board or appropriate committee. *Risk – the college is unable to demonstrate compliance with the duty of best value per the characteristics set out in the SPFM.*	Management should produce a formally agreed document for 2023-24 which details how it meets the best value characteristics as set out in the SPFM. Action - A formal document will be produced and tabled at the Finance Committee *Chief Financial Officer* *May 2024*	**Implemented** The Best Value Framework document is included in the papers for the 27 November 2024 Finance Committee.
b/f 6. Journal Authorisation 2021/22 AAR It was noted as part of testing that one journal was created and approved by the same user. *Risk – There is an increased risk of fraudulent journals being posted to the system if an individual can post without review by a second individual.*	We suggest contacting the software provider to rectify this issue. Our review and testing of journals posted to the ledger in 22/23 found examples of journals that were created and approved by the same user. Revised action: Symmetry will be contacted to provide a solution. *Head of Finance*	**Implemented** No instances of a journal being created and approved by the same user was identified in the 2023/24 journals testing.

Issue/risk	Recommendation and agreed action	Progress
	January 2024	
b/f 7. Capital Planning **2021/22 AAR** The College has budgeted for capital expenditure of £1.350million, however, College has not yet approved a 2022/23 capital plan. The College has recognised in their approved 2022/23 budget that there is a high demand for capital project expenditure across the College for both replacement and new technology and teaching facilities. *Risk – Without a capital plan in place, the College will not be able to identify and appropriately plan for the priority areas where capital investment is required and demonstrate how they will deliver the aims and objectives contained within their Digital Strategy 2021-2030.*	We recommend that the College further develops its multi-year capital plan and bring forward for approval the activities which they are planning to spend their 2022/23 capital budget as a matter of urgency. In addition, we encourage management to review the visibility of the capital plan within the integrated annual operational planning process to ensure alignment of the College's revenue and capital budget setting process. From review of papers submitted to Finance Committee in the period to September 2023, the only capital plans submitted were for a single year. Revised action: A plan will be produced and submitted to the next Finance Committee for 23/24 expenditure – A three-year plan will be submitted in line with budget approval at the June 2024 Finance Committee meeting. *Chief Financial Officer* *February 2024*	**Implemented** The 2024/25 to 2027/28 capital plan was presented to the 5 June 2024 Finance Committee. This outlines the anticipated capital expenditure requirements for the next four years.
b/f 8. Asset Register **2020/21 AAR** Asset registers would benefit from the inclusion of additional detail such as useful life (currently embedded in the depreciation calculation), the date of last buildings revaluation and	Management should review their fixed asset register and ensure all necessary information is clearly recorded. This should include, for example, date of last revaluation, location and useful life. The college is reviewing how best to manage the College	**Implemented** The land and buildings asset register details the useful lives of assets, the location of the assets and the date of the last buildings valuation. Details on the revaluation reserve balance are not provided, however this

Issue/risk	Recommendation and agreed action	Progress
balance on the revaluation reserve (where appropriate). *Risk – As identified in 2020/21, one asset was not subject to regular professional revaluation as the date of the last exercise was not visibly recorded. Clear and complete information within the fixed asset registers is key to supporting the appropriate and accurate accounting treatment.*	assets going forward looking at other institutions for best practice. They are in the process of hiring an asset manager and aim to have the system go live shortly after the asset manager is in place. <u>Revised action:</u> Once the asset manager is hired a system for tagging equipment assets will be put in place. In addition, they will review and update asset information held. *Head of Procurement* *March 2024*	information is provided separately. Several improvements have been made, including: • Increasing the threshold from £100 to £500. • Merging Fixtures & Fittings and IT into one centralised asset register. • Moving the asset register into SharePoint for better accessibility. • Creating dashboards that track the dynamics of IT and fixtures and fittings asset purchases, physical checks by number and acquisition cost, asset tagging, and the disposal of assets. • Starting the asset tagging process for assets over £1,000.

City of Glasgow College

2023/24 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

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