Glasgow Clyde College

2023/24 Annual Audit Report

AUDIT SCOTLAND

Prepared for Glasgow Clyde College and the Auditor General for Scotland

December 2024

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Introduction

1. This report summarises the findings from the 2023/24 annual audit of Glasgow Clyde College (GCC). The scope of the audit was set out in an Annual Audit Plan presented to the 29 May 2024 meeting of the audit committee. This Annual Audit Report comprises:

- significant matters arising from an audit of GCC's annual report and financial statements
- 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 GCC 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. I, Stuart Nugent, have been appointed by the Auditor General as auditor of GCC for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment.

4. My team and I would like to thank Board members, audit committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year's audit. We look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

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

6. My responsibilities as 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 GCC 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.

Auditor Independence

9. I can confirm that my team and I comply with the Financial Reporting Council's Ethical Standard. I can also confirm that my team and I have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £64,200 as set out in my 2023/24 Annual Audit Plan remains unchanged. I am not aware of any relationships that could compromise our objectivity and independence.

10. The annual audit adds value to GCC 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 financial statements

Public bodies are required to prepare annual reports and financial statements 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 financial statements are unmodified.

The unaudited annual report and financial statements were received in line with the agreed audit timetable and to a good standard

Audit opinions on the annual report and accounts are unmodified

11. The Board approved the annual report and financial statements for Glasgow Clyde College for the year ended 31 July 2024 on 13 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
- 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 on receipt of the unaudited annual report and financial statements as £1.1 million

12. 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.

13. My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and financial statements and is summarised in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£1.1 million
Performance materiality	£0.7 million
Reporting threshold	£53,000

Source: Audit Scotland

14. 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.

15. 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 70% of overall materiality, reflecting a low number of previous year errors.

16. It is my 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

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

18. 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.

19. The significant findings are summarised in Exhibit 2.

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and financial statements

Issue	Resolution
1. Job evaluation 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 GCC these annual estimated costs were £0.7 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 2023/24. 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. Given the late issue of the 2023/24 accounts direction and the lack of time to fully consider the matter, GCC opted to continue to account for the exercise in line with previous year, i.e. to accrue both spend and income of £0.7 million for 2023/24.	Technical advice was provided to auditors' in relation to the recommendation to disclose a contingent liability to advise that: - the accounts direction requires compliance with the SORP. The guidance on the accounting for job evaluation within the direction was not sufficient to override the directions requirement to comply with the SORP - The view following the auditors sector meeting was that there was an obligation based on a past event, that it was probable that a settlement would be required and that a reasonable estimate has been made until 2022/23, so it was highly unlikely that a reasonable estimate could not be made for 2023/24 Further advice was provided in relation to deferred income: - It is unclear whether evidence currently available would satisfy the income recognition criteria set out in FRS 102 (224.3A). The Scottish Government has issued no specific grant letter and has not recognised a provision (or disclosed a contingent liability) for the job evaluation costs. - It is understood that the settlement value is intended to be included in grant in aid provided to the SFC for disbursement to colleges through annual allocations on settlement. This may not provide evidence of specific, reasonable assurance to allow colleges to recognise the deferred income to meet the settlement. These comments were passed back to the SFC. Following that the SFC amended the

Issue	Resolution
	accounts direction which now requires that a provision (not an accrual) should be used to disclose the liability. It also states that the movement of funds to the Scottish Government occurred in 2022/23, and as a result a prior-year adjustment should be posted. Technical advice provided by Audit Scotland indicated that this may not be appropriate depending on what information individual colleges received during the preparation and audit of 2022/23 annual report and financial statements. GCC amended its accounts to reflect a provision for the outstanding liability of £3.9 million. GCC opted not to make a prior period adjustment on the basis that as it was not aware of the funding situation in 2022/23. As such it took the view that this did not represent a fundamental error. We are content with this approach. The income accrual from the prior year (£3.3 million) has been reversed with a resultant adjustment in the adjusted operating position. These changes were confirmed in the revised annual report and financial statements.
2. Asset impairment write-back In 2022/23 we highlighted how the College had identified impairments in its Anniesland and Cardonald campuses. These related to defective windows and the presence of RAAC (reinforced autoclaved aerated concrete). Following advice from its valuer, the College impaired both assets to equivalent to the estimated cost of remedial works. During 2023/24 some of the remedial works were carried out on Anniesland which meant a write-back of the impairment. Following the completion of these works, the impairment was then further reduced to reflect an updated estimate for the cost of remaining works. No works were carried out at Cardonald in 2023/24, but the estimated cost of remedial	Upon further discussion with the College, it was confirmed that there was a misstatement in the non-current assets balance and agreement was reached on a solution. This involved disposing a portion of the Anniesland asset equal to the value of the addition (£1.8 million). This was necessary as the addition rectifies a previous impairment and does not enhance the asset. The disposal represents the part of the asset that is being replaced. The impairment charge from the prior year of £4.4 million was revised and a new impairment charge raised. The new impairment charge (£1.9 million) is an estimate of the cost of remaining rectification works for both campuses. This now includes full roof replacement for the two areas within Cardonald with RAAC.

Issue	Resolution
activity changed. Similar to Anniesland, this resulted in adjustment to the impairment. After having completed the adjustments and passed the draft financial statements to the auditors, the College questioned whether asset additions (£1.8 million) in relation to the works at Anniesland represented double counting.	These adjustments were confirmed in the revised annual report and financial statements.
3. Deferred capital grants release Under FRS 102, capital grants are deferred. They are then released to the Statement of Comprehensive Income over the expected lives of the underlying assets to which they relate. During 2023/24 it was noted that the estimated useful lives which the grants are released under was not in line with the most recent valuations. The most recent revaluations dated from July 2022.	The College adjusted its schedule to reflect the revalued estimated useful lives. This resulted in a non-cash difference of £0.6 million in 2023/24. This is below materiality, however given the useful lives applied from 2022, these should also be applied in 2022/23. A similar amount was calculated for 2022/23 which again was not material, however the cumulative amount for both year impacts on the 2023/24 balance sheet and is material. The College opted to make this non-cash adjustment in both years. These adjustments were confirmed in the revised annual report and financial statements.

Source: Audit Scotland

20. Prior to the audit of the annual report and financial statement we were in discussion with the College about a finding from another college. This related to the inclusion of notional finance costs in valuations provided as at July 2022. College buildings are valued using a methodology titled depreciated replacement cost (DRC). Under DRC the valuer is required to adopt an instant build approach.

21. Guidance from the Royal Institution of Chartered Surveyors (RICS) states that borrowing/financing costs should not be included in the valuation of property where instant build is adopted. Review of the 2022 valuations confirmed that these included notional finance costs.

22. GCC received a revised valuation report as at 31 July 2022 from its valuer, which identified a difference of £11.4 million. As this was greater than materiality, the College made a series prior year restatements in the draft accounts presented to audit This involved adjustments to the carrying values, depreciation charges and in-year revaluation movements. These adjustments were reviewed and found to be satisfactory.

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

23. My team and I obtained audit assurances over the identified significant risks of material misstatement in the annual report and financial statements. Exhibit 3 sets out the significant risks of material misstatement to the annual report and financial statements 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 financial statements

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 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.	Controls around journal processing were reviewed and found to be satisfactory. We found no evidence of inappropriate or unusual activity relating to journals. We tested a sample of journals from across the year and found no issues. We did not identify any significant transactions outside the normal course of business. The controls in place for identifying and disclosing related party transactions were found to be satisfactory. We have assessed the underlying methods and assumptions underpinning accounting estimates and confirmed that these remain appropriate. Our testing of income and expenditure transactions and accruals/prepayments has not found any significant issues.

Audit risk	Assurance procedure	Results and conclusions
	• 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.	
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. All non-current assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that GCC ensures the financial statements accurately reflect the value of the land and buildings.	• Review the information provided to the external valuer to assess for completeness and if necessary, seek further confirmation from the valuer on any particular aspects of the process. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred. • Consider whether the valuation frequency is appropriate. • Critically assess the approach GCC has adopted to assess the risk that assets not subject to 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	We met with the College's valuer and were assured that appropriate information is made available to allow for their work and that they are able to discuss issues with management. We have assessed the competence, capabilities and objectivity of the valuer and found these to be satisfactory. The valuation frequency has been assed as reasonable with a full exercise every 5 years and desktop reviews provided for other years which ensures assets are not materially misstated. Disclosures regarding assumptions were found to be adequate. The accounting disclosures regarding the impairments at Anniesland and Cardonald were reviewed and found to be satisfactory (subject to the issue raised at Exhibit 2).

Audit risk	Assurance procedure	Results and conclusions
	valuation of land and buildings. • Review the status and accounting disclosures regarding the known impairments in the Anniesland and Cardonald campuses.	
3. Estimation in the valuation of pension asset/liability GCC is a member of the Strathclyde Pension Fund (i.e., the local government pension scheme) and accounts for it under the relevant accounting standard (FRS 102). At 31 July 2023 the net asset was £3.449 million. The present value of the retirement (pension) obligations depends on a number of factors that are determined on an actuarial basis underpinned by a series of assumptions. There is a risk that errors in the information provided to the actuary or in the underlying assumptions, or	• Review of the information provided by GCC to its actuary. • Completion of the 'review of the work of an expert' in respect of the actuary including a review of actuarial assumptions. • Review evidence confirming that the College's management has assessed the estimate provided by its actuary. • Testing of pension disclosures in the financial statements, including disclosures in the key estimates and judgements note. • Observe meetings between the College and its actuary.	We reviewed the information provided to the actuary and did not find any issues. We confirmed that the appointed actuary is appropriately qualified and has the necessary and relevant experience to fulfil the role. Pension disclosures were found to be consistent with the actuary's reports. We attended a meeting with the College and its actuary. This provided further assurance over the assumptions underpinning the estimate and the resultant figures.

Source: Audit Scotland

There was one non-material misstatement identified within the financial statements

24. Other than the corrected material misstatement detailed as a significant finding in Exhibit 2, the audit identified one misstatement above the reporting threshold. This was a classification error relating to depreciation charge of £0.1 million which the College duly corrected. There were no unadjusted misstatements.

The unaudited annual report and financial statements were received in line with the agreed audit timetable and to a good standard

25. The unaudited annual report and financial statements were received in line with our agreed audit timetable on 1 October 2024, and to a good standard.

Good progress was made on prior year recommendations

26. The College has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in Appendix 1.

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Conclusion

GCC reported a small surplus in the 2023/24 adjusted operating position largely due to reduced staff costs as a result of industrial action

Budget processes during the year were appropriate, effective, and provided Board members with a good indication of the forecast year-end position

GCC has managed significant capital works effectively alongside other priorities in 2023/24

The College has appropriate financial control arrangements in place

GCC reported a small surplus in the 2023/24 adjusted operating position largely due to reduced staff costs as a result of industrial action

27. As shown in Exhibit 4, GCC reported an operating deficit before other gains and losses of £5.4 million in the Statement of Comprehensive Income for the year ended 31 July 2024. The deficit increased by £0.25 million from 2022/23 due mainly to an adjustment in respect of the job evaluation exercise (see Exhibit 2, item 1).

Exhibit 4
Financial performance in 2023/24

Financial performance	2023/24 (£m)	2022/23* (£m)	Difference (£m)
Income	48.0	54.6	(6.6)
Expenditure	(53.4)	(55.9)	2.5
Surplus/(Deficit)	**(5.4)**	**(1.3)**	**(4.1)**

Source: GCC annual report and financial statements 2023/24

* = restated from 2022/23 annual report and financial statements

28. The 2023/24 financial statements direction from the SFC requires the disclosure of an adjusted operating position. This is intended to reflect the underlying operating performance after allowing for material one-off or non-cash items (e.g. depreciation, pension adjustments, exceptional income or expenditure). In 2023/24 this also includes an adjustment in respect of job evaluation funding (see Exhibit 2, item 1).

29. The College's adjusted operating position in 2023/24 was a surplus of £0.2 million, see Exhibit 5. The adjusted surplus represents 0.4% of total income. The College had originally forecast a deficit of £2.7 million. This was subsequently adjusted to a deficit of £1.8 million following identification of a further £0.9 million of savings and reductions in clawbacks from the SFC.

30. Reduced staff costs were the most significant factor influencing this outcome. The revised budget estimated staff costs of £40.1 million (excluding restructuring costs and pension adjustments). The 2023/24 financial statements include staff costs of £37.3 million. This reduction is largely due to the number of days lost due to industrial action in 2023/24.

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	(5.4)	(1.3)	(4.1)
Depreciation (net of deferred capital grant release)	1.8	1.5	0.3
Non-cash pension and early retirement adjustments	0.1	0.1	0.0
Adjustment for job evaluation funding	3.9	0	3.9
Arm's Length Foundation capital grant	0	(0.6)	0.6
Payments to early retirement provision	(0.2)	(0.2)	0.0
Adjusted Operating Surplus	**0.2**	**(0.5)**	**0.7**

Source: GCC annual report and financial statements 2023/24

Budget processes during the year were appropriate, effective, and provided Board members with a good indication of the forecast year-end position

31. We reviewed the College's budgetary processes and budget monitoring arrangements by reviewing budget monitoring reports and committee papers. We confirmed that Board members receive regular, timely and up to date financial information on the College's revenue financial position. We concluded that the College has appropriate budget setting and monitoring arrangements.

GCC has managed significant capital works effectively alongside other priorities in 2023/24

32. Last year we highlighted the accounting consequences from an issue with the windows at Anniesland campus. In 2023/24 GCC began a programme of remedial works to address this issue. GCC received an additional £0.6 million of funding in 2023/24, so that it had a total capital budget of £2.7 million for the year.

33. This funding has been used to address the issues at Anniesland as well as other projects, such as the Cardonald campus lifts. GCC presented a capital masterplan to the FRC in March 2024. This plan identified that many projects will continue into 2024/25 along with others like the RAAC (reinforced autoclaved aerated concrete) rectification works at Cardonald.

34. During 2023/24, the College has effectively managed the rectification works at Anniesland alongside other capital and revenue priorities. It has also maintained and updated its capital masterplan to ensure that these are carried forward into future years.

The College has appropriate financial control arrangements in place

35. We carried out a review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach. These being the general ledger, payroll, accounts payable, accounts receivable and banking. We found that controls were generally operating as expected.

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

36. In the public sector there are specific fraud risks, including those relating to 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.

37. GCC has an anti-bribery, fraud and corruption policy in place. The latest iteration of this policy was submitted to and approved by the Audit Committee in October 2024. This sets out the high-level approach to fraud and is supported by other documents.

38. The most notable supporting document being the fraud response plan which sets out in detail the process to be followed in the event of any allegation. This demonstrates that GCC has appropriate arrangements in place to prevent and detect fraud or other irregularities.

Our review found that the College has a positive and effective approach regarding the National Fraud Initiative

39. The National Fraud Initiative (NFI) is a counter-fraud exercise which aims to prevent and detect fraud. The NFI takes place every second year, the most recent being 2022/23. As part of our audit work, we reviewed the arrangements in place at the College to respond to the NFI. This involved completing a questionnaire and assessing each area with a RAG (red; amber; green) status.

40. We completed our questionnaire in February which reported an overall green status. This reflects a positive and effective approach to the NFI by the College, as evidenced by the timely submission of data and review of matches. The completed questionnaires were used to prepare ‘The National Fraud Initiative in Scotland 2024’ which was published in August.

3.Financial sustainability

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

GCC continues to prepare medium term financial forecasts based on reasonable assumptions and presents these to the Board routinely

The College has set a more favourable revenue budget for 2024/25 than previously anticipated, but there are concerns with cash balances in 2025/26

GCC continues to prepare medium term financial forecasts based on reasonable assumptions and presents these to the Board routinely

41. As we reported last year, GCC has a rolling 5-year forecast model in place. It has maintained this model in 2023/24 and presented an update to the Board in June 2024. These forecasts support annual budgeting and submissions to the SFC.

42. The model is based on assumptions which appear reasonable. For example, staff costs are forecast to increase in line with Colleges Employers Scotland national bargaining agreements by around 3% each year. It also shows that there are no planned restructuring costs after 2023/24, with other areas of spend remaining broadly static.

43. The model incorporates savings in pension contributions due to changes introduced by Strathclyde Pension Fund. We reported on these reduced contributions last year as part of our work on the pension asset ceiling in the annual report and financial statements.

44. The model assumes a reduction in SFC income after 2023/24 due to non-recurring clawback reversals and removal of flexible workforce development funds. From 2024/25 SFC income is forecast to remain broadly static (in cash terms). Given uncertainties around future settlements, this again appears reasonable. Funding from GCEF is not expected to continue after 2023/24.

45. The forecast identifies deficits from 2024/25 (£2.3 million) increasing to £8.2 million in 2027/28.

The College has set a more favourable revenue budget for 2024/25 than previously anticipated, but there are concerns with cash balances in 2025/26

46. The College subsequently presented its revenue budget for 2024/25 to the FRC in September 2024. Due to a more favourable outturn in 2023/24, GCC has been able to rephase funding from the GCEF to 2024/25 (see paragraph 27.). Alongside other movements in commercial activity, this has seen the forecast deficit reduce from £2.3 million to £0.5 million.

47. The budget paper confirmed that no cash flow difficulties are anticipated in 2024/25. However, the College's baseline cash position is forecast to reduce to 21 days by July 2025. The College's baseline cash balance conveys the level of working capital available to meet operating costs. A key measurement is the number of days cash held. Bodies should set a target number of days cash which reflects the income and expenditure patterns.

48. Due to the forecast reduction in cash balances, GCC reported that it will have difficulties meeting financial obligations in 2025/26. The College is currently undertaking scenario planning to identify approaches to ensure that it is able to continue to meet financial obligations in the future. GCC intends to submits options to the Board in December 2024 with a view to making a formal decision as soon as is practicable.

Recommendation 1

The College should finalise its work to identify solutions to ensure that it can continue to meet financial obligations in 2025/26 and beyond.

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4. 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 which is accessible on the College website

GCC's governance arrangements are appropriate, and information is made publicly available within reasonable timeframes

The College has a clear vision and strategy which is accessible on the College website

49. Last year we confirmed that GCC's Strategic Plan (2022 to 2025) is available on the College website. We also confirmed it clearly sets out the vision for the College through the identification of three strategic themes. The Strategic Plan continues to be in place in 2023/24 and we note that this will be due for review in 2025.

GCC's governance arrangements are appropriate, and information is made publicly available within reasonable timeframes

50. GCC's governance arrangements have been set out in the governance statement in the annual report and financial statements. We have reviewed these arrangements and concluded that they are appropriate.

51. The College makes a broad selection of Board and committee papers and minutes available on its website. At the time of writing, there is a need to update the papers available as the most recent Board meeting available is from December 2023. We understand that an exercise is currently underway, and this will be addressed in the near future. As we reported last year, the minutes of the Board and the FRC adequately convey the overall financial position.

52. There have been some changes to the College's staffing structure. A new post (Chief Operating Officer) was created and a successful candidate appointed in July 2024. This is in place of the former Vice Principal who left during the year, with an interim appointment in the intervening period. More recently the College has also appointed a new Assistant Principal – Finance and Facilities, who is currently undertaking a handover process.

Climate change arrangements

53. The Scottish Parliament has set a legally binding target of becoming net zero by 2045. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

54. As we reported last year, GCC has in place a climate change action plan (CCAP). The College to reach net zero as soon as possible, and by 2050 at the latest. The CCAP continues to be available on the College website and the latest version was subject to discussion at the Audit Committee in October 2024.

55. The Auditor General for Scotland and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

56. In addition, the 2024/25 annual report and financial statements will require to include more reporting on sustainability. Bodies with more than 500 FTE staff will require to comply with the Task Force on Climate-related Financial Disclosures (TCFD) - Aligned Disclosure Application Guidance. As such, GCC will be required to provide these disclosures in the Performance Report in 2024/25.

Cyber security arrangements in place at the College are appropriate

57. As part of our audit, we reviewed the arrangements GCC has in place regarding cyber security. As part of this we confirmed that the College has an appropriate policy in place, has insurance coverage and has achieved Cyber essentials plus accreditation.

58. We also confirmed that GCC recognises cyber security within its risk management processes and that it has been covered by a recent internal audit review. Owing to the nature of this risk it requires ongoing and vigilant management. We are assured that GCC has appropriate arrangements in place to manage this issue.

5. 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 is currently considering an approach to demonstrating it meets with the best value framework

The College has appropriate arrangements in place to meet the best value characteristic regarding fairness and equality

GCC has developed an appropriate performance management

The College is currently considering an approach to demonstrating it meets with the best value framework

59. 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. It also states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

60. Last year we identified references to best value in the College's financial regulations and assurance framework, with the latter focusing on procurement. The College is also developing an approach to better demonstrate how it meets with the key characteristics. We will review these arrangements as part of our 2024/25 audit.

The College has appropriate arrangements in place to meet the best value characteristic regarding fairness and equality

61. As part of our audit this year we looked specifically at GCC's arrangements regarding the best value characteristic regarding fairness and equality. As part of this we confirmed that:

- the College can demonstrate that it has arrangements in place to meet its equalities responsibilities. This is delivered in part through the publication of biennial reports equality mainstreaming reports.

- The Equality, Diversity and Inclusion Committee (EDI) oversees the College's compliance with its obligations in this area. The EDI also receives progress reports on the achievement of equality outcomes and therefore monitors progress.

- The GCC strategic plan includes objectives which promote equalities such as increasing opportunities from those in deprived groups.

- The College provides mandatory training to its staff on equality and diversity.

- Equality impact assessments are carried out where required and the College is looking to create a centralised system to carry these out.

62. In light of the aspects listed above, we are satisfied that the College has in place appropriate arrangements to meet this characteristic.

GCC has developed an appropriate performance management framework

63. Last year we reported that regular performance reports are presented to the various committees. This has been maintained in 2023/24 with the report to the FRC including performance indicators covering financial performance, teaching delivery and sustainability/recycling. The College is also looking to develop indicators on resource utilisation.

64. The Teaching and Learning Committee also receives regular performance reports. These include indicators covering student experience, student performance, early withdrawal rates, student achievement rates, community engagement and external stakeholder engagement.

65. Similar to last year, there is no explicit link to the strategic plan like there is with the strategic risk register. It is though possible to identify indicators which relate to the various strategic themes. Moving forward, following an internal audit recommendation the committees of the Board have agree revised strategic indicators for use in 2024/25.

Student attainment has deteriorated from last year which is likely to have been impacted by industrial action in 2023/24

66. 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. Student attainment information over the last five years is presented in Exhibit 6 sorted by subject groupings.

67. This shows that performance in 2023/24 has deteriorated since last year and still remains below pre-Covid levels. The most significant deteriorations are in higher education and may be in part due to universities offering unconditional places which could have resulted in students not completing.

68. The results will also likely have been affected by the industrial action which took place in 2023/24. This was particularly the case with part-time higher education where focus switched to work based elements rather than college-based provision.

69. While overall full-time further education deteriorated, 5 of the 16 subject areas within this category improved on the prior year. Part-time further education improved, as much of the provision had completed before industrial action took place.

70. Withdrawal rates also deteriorated later in the year and would have contributed to the attainment statistics. Again, this movement was likely due to the industrial action. This is contrast to the early part of the year where withdrawal numbers were the lowest ever recorded.

Exhibit 6

Key performance indicators – trend analysis

KPI	2023/24	2022/23	2021/22	2020/21	2019/20
Full-time FE	56.6%	59.0%	53.3%	57.7%	66.8%
Full-time HE	63.6%	65.8%	55.1%	69.2%	72.3%
Part-time HE	68.6%	73.5%	75.3%	75.9%	75.7%
Part-time FE	72.7%	71.1%	68.1%	78.6%	84.7%

Source: GCC annual report and financial statements 2023/24

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. **Forecast cashflow issue in 2025/26** The College's established financial forecasting model has identified that cash balances are likely to reduce. The level of reduction is anticipated to mean that the College will be unable to fulfil its financial obligations in 2025/26. This was reported to the Finance and Resources Committee in September 2024 and the College is currently taking steps to identify solutions. Risk – the College is unable to fulfil its financial obligations in 2025/26	The College should finalise its work to identify solutions to ensure that it can continue to meet financial obligations in 2025/26 and beyond. Paragraph 48.	**Actioned** The College is in the process of running a range of possible scenarios to support financial sustainability from 2025/26 onwards. A report is scheduled to be submitted to the Board of Management in December 2024 to enable decisions to be taken on the way forward. Responsible officer: Deputy Principal and Chief Operating Officer Agreed date: December 2024

Source: Audit Scotland

Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
b/f 1. Workforce planning The College is facing significant financial challenges, and some of the	We would recommend to develop a scenario based plan including more detail	**Implemented** The College has implemented various controls around workforce planning.

Issue/risk	Recommendation and agreed action	Progress
factors like funding or pay levels are not entirely in the College's control. At the same time this challenge will be partly managed by an effective and continuously changing, scenario-based workforce plan. A high-level Workforce Plan was presented to the Organisational Development Committee in September 2022. We note this plan analyses the key issues faced and structure of the workforce but had no further detail as to the possible actions and scenarios. Risk – A complete and scenario-based workforce plan will help the College to manage its workforce and clarify GCC's position in relation to its financial needs.	behind the high-level analysis. The College will consider implementing a scenario-based work force planning model in future if additional planning information is available. This will be subject to annual review by SLT and will be considered as part of the curriculum planning process for academic year 2024/25 and thereafter. Senior Leadership Team November 2023	This includes scenario planning to identify the impact from different curriculum approaches. It also includes benchmarking against other colleges, developing a staff deployment tool to identify areas of under or over resource.

Glasgow Clyde College

2023/24 Annual Audit Report

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