Glasgow Kelvin College

2023/24 Annual Audit Report

AUDIT SCOTLAND

Prepared for Glasgow Kelvin 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 Kelvin College (GKC). 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 GKC’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 GKC 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 GKC 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. GKC 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). GKC 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 GKC 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 GKC 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

11. Audit opinions on the annual report and accounts are unmodified The Board approved the annual report and financial statements for GKC 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
- 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 £0.6 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. Materiality was revised as gross expenditure was lower than in 2022/23, which had been the basis for planning materiality of £0.69 million.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£0.6 million
Performance materiality	£0.4 million
Reporting threshold	£32,000

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 65% 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 GKC'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 GKC these annual estimated costs were £0.4 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. GKC opted to remove these accruals as a prior year adjustment.	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 accrued 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 accrued income to meet the settlement. These comments were passed back to the SFC. Following that the SFC amended the 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.

Issue	Resolution
	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. GKC opted to post a current year adjustment to remove the income accrual (allowing for this in the adjusted operating posting). GKC also posted a provision for the liability. These adjustments were confirmed in the revised accounts presented to audit and we are satisfied with these.
2. Springburn campus – impairment The College undertook as asset condition survey on its estate in 2023/24. This is part of ongoing asset management processes and to inform the capital programme of works. An issue was identified at Springburn campus relating to the cladding on the exterior of the building. Further work was carried out which also revealed deficiencies with the waterproof membrane which sits behind the cladding.	The College opted to impair the carrying value of the Springburn campus, to the value of the estimated costs of rectification works. The initial estimate has indicated that the cost will be £8.2 million. The College duly impaired the cost by £8.2 million. This change was confirmed in the revised financial statements presented to audit and we are satisfied with these.
3. West campus – impairment In 2023/24 GKC marketed its West campus with a view to either sell or lease the property. At the year end the property remained on the market, with a sale expected within the next six months. The College correctly impaired the value of the property by £1.7 million to its market value of £1.8 million. However, the College did not reclassify the asset, therefore it continued to reported as a fixed asset alongside the other operational campuses.	Through review of technical guidance, it was determined that the asset should be reclassified as an asset held for sale. It was also determined that the residual balance in the revaluation reserve (£2.4 million) should be transferred to the income and expenditure reserve at the point of the impairment. Further that the impairment should be charged in full to the Statement of Comprehensive Income in the Depreciation and impairment line, as the property was no longer considered a fixed asset. These changes were confirmed in the revised financial statements presented to audit and we are satisfied with these.

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. GKC received a revised valuation report as at 31 July 2022 from its valuer, which identified a difference of £2.9 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.	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 and found no issues. We did not identify any significant transactions outside the normal course of business.

Audit risk	Assurance procedure	Results and conclusions
	• 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. • 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.	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.
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 GKC ensures the financial statements accurately reflect the value of	• 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.	We met with the College's valuer and were assured that appropriate information was 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 assessed as reasonable with a full exercise every 5 years and desktop reviews provided for other years which ensures

Audit risk	Assurance procedure	Results and conclusions
the land and buildings.	• Consider whether the valuation frequency is appropriate. • Critically assess the approach GKC 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 valuation of land and buildings. • Review the status and accounting disclosures regarding the West End campus which has been marketed for sale or lease during 2023/24.	assets are not materially misstated. Disclosures regarding assumptions were found to be adequate. We reviewed the supporting information and disclosures regarding West end campus and recommended a presentational change, but no significant issues.
3. Estimation in the valuation of pension asset/liability GKC 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 £1.604 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 late	• Review of the information provided by GKC 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.

Audit risk	Assurance procedure	Results and conclusions
information, can result in a material misstatement.		

Source: Audit Scotland

There were four non-material misstatements identified within the financial statements

24. Other than the corrected material misstatement detailed as a significant finding in Exhibit 2, the audit identified four misstatements above the reporting threshold. The first of these related to depreciation of £0.2 million being erroneously charged on assets which were already fully depreciated which the College informed us about. The second issue was a classification error relating to a receivables balance of £0.1 million which had been erroneously disclosed as a prepayment. The third related to an asset disposal of £0.1 million which the College informed us about. The College duly corrected all of these errors.

25. The audit team identified one further misstatement which was not corrected by management in the audited annual report and financial statements. This related to capitalised project management costs of £0.05 million which did not meet the asset recognition criteria in FRS 102. We considered the size, nature, and circumstances leading to all uncorrected misstatements, individually and in aggregate, and concluded that this was not material.

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

26. The unaudited annual report and financial statements were received in line with our agreed audit timetable on 1 October 2024.

Good progress was made on prior year recommendations

27. 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

GKC reported a small surplus in the 2023/24 adjusted operating position due mainly to savings in staff costs

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

The College has appropriate financial control arrangements in place

GKC reported a small surplus in the 2023/24 adjusted operating position due mainly to savings in staff costs

28. As shown in Exhibit 4, GKC reported an operating deficit before other gains and losses of £4.1 million in the Statement of Comprehensive Income for the year ended 31 July 2024. The deficit increased by £2.2 million from 2022/23 due mainly to adjustments relating to job evaluation and impairment of the College estate, see Exhibit 2.

Exhibit 4
Financial performance in 2023/24

Financial performance	2023/24 (£m)	2022/23* (£m)	Difference (£m)
Income	29.8	32.7	(2.9)
Expenditure	(33.9)	(34.6)	0.7
Surplus/(Deficit)	**(4.1)**	**(1.9)**	**2.2**

Source: GKC annual report and financial statements 2023/24
* = restated from 2022/23 annual report and financial statements

29. 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).

30. The College's adjusted operating position in 2023/24 was a surplus of £0.2 million, see Exhibit 5. The adjusted surplus represents 0.7% of total income. The College had originally forecast a deficit of £0.5 million. This more favourable outcome has been mainly due to reduced staff costs and improved income from non-SFC sources.

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	(4.1)	(1.9)	(2.2)
Depreciation (net of deferred capital grant release)	1.8	0.7	1.1
Non-cash pension adjustments	0.1	0.1	0.0
Payments to early retirement provision	(0.1)	(0.2)	0.1
Amendment to SFC Job Evaluation funding	2.5	0	2.5
Adjusted Operating Surplus	**0.2**	**(1.3)**	**1.5**

Source: GKC 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.

The College has appropriate financial control arrangements in place

32. 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

33. 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.

34. GKC has an anti-fraud and anti-corruption policy in place. The latest iteration of this policy was submitted to and approved by the Audit and Risk Committee in November 2022, due for renewal in 2025. This sets out the high-level approach to fraud and is supported by other documents.

35. The most notable supporting document being the interest disclosure (“whistle blowing” policy and procedure. This sets out in detail the process to be followed in the event of any allegation. This demonstrates that GKC 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

36. 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.

37. 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

GKC continues to prepare medium term financial plans based on reasonable assumptions and presents these to the FRC routinely

Cash balances currently look reasonable but will need to be continually updated to allow for events such as the issues with the Springburn campus

GKC continues to prepare medium term financial plans based on reasonable assumptions and presents these to the FRC annually

38. As we reported last year, GKC had an established and effective three-year financial planning process. We note that the most recent forward-looking plan, presented to the FRC in June 2024, has moved to five years to align with the operating plan. This is also in-keeping with a suggestion from our report last year.

39. The plan is based on assumptions which are set out in detail, alongside some different scenarios. All scenarios assume no increase in SFC income in 2024/25 to 2026/27, while the one favoured by GKC assumes 2% increases in 2027/28 and 2028/29. Given the short-term financial outlook, this appears reasonable.

40. Staff costs are based on the previous pay offer for 2024/25 which has now been accepted. Subsequent years are based on a 2% increase. The pay offer agreed in September was for a higher amount (4.14%), but the Scottish Government provided additional funding to the sector to meet this. Other expenditure lines are also expected to increase by 2% from 2025/26. These assumptions appear reasonable.

41. The plan forecasts break-even from 2024/25 onwards, but this is dependent on savings from future voluntary severance exercises.

Cash balances currently look reasonable but will need to be continually updated to allow for events such as the issues with the Springburn campus

42. A college's 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.

43. Although the 5-year plan does not specifically refer to a days' cash target, the FRC report in October refers to a target of 15 days (£1.3 million). The 5-year plan forecasts cash to increase from £0.1 million in 2024/25 to £0.2 million in 2027/28. No cash flow problems have been identified by the College at present.

44. However, the model must continually be revisited to ensure it adequately allows for new events. One example being the issue recently identified issue at the Springburn campus which resulted in an asset impairment (see Exhibit 2). The College should seek to secure the funding required to complete the remedial works at Springburn campus. Once the funding and the full costs of rectification are confirmed, GKC will have to remodel cash flow forecasts to allow for this activity.

Recommendation 1

The College should seek to secure the funding required to complete the remedial works at Springburn campus and once confirmed to remodel cash flow forecasts to allow for this.

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

GKC's governance arrangements are appropriate but in our view more financial information could be made available

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

45. Last year we confirmed that GKC's strategic plan (2022 to 2027) sets out the strategic ambitions and priorities which are aligned with the regional outcome agreement. We also confirmed that it is supported by other plans such as the financial strategy 2022-27 and the learning, teaching and assessment strategy 2021-2024. All of these documents continue to be available on the College website.

46. Similar to last year, we confirmed that progress reports were submitted to the Board in March and October this year. These reports (which are available on the College website) follow a set template and apply RAG (red, amber, green) status to actions. This allows members to scrutinise performance at regular intervals.

47. GKC also has a rolling 5-year operating plan which is subject to review every 6 months. The most recent version was presented to the Board in June 2024 and covers the period from 2024/25 to 2028/29. The operating plan sets out three objectives and a series of actions under each of these.

GKC's governance arrangements are appropriate but in our view more financial information could be made available

48. GKC'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.

49. The College continues to make a broad selection of Board and committee papers and minutes available on its website. Last year we highlighted that the College does not make financial reports available on the website. While this remains the case, we continue to discuss this issue with the College.

50. In our view making financial information available during the year is consistent with the Scottish Government's 'On Board' guidance. Within this, under the section on the role of the board, it refers to openness and transparency in decision making.

Recommendation 2

The College should identify and implement an approach for sharing financial information during the year to improve transparency over decision making.

The SFC issued a letter indicating that GKC had breached the financial memorandum

51. The College used two settlement agreements in 2024 to resolve two long-standing staffing issues. Due to the speed of conclusion with both cases, the College did not inform Glasgow Colleges Regional Board (GCRB) and the SFC until after they had been agreed.

52. The SFC subsequently issued a letter to GCRB confirming that the College should have sought approval before finalising the agreements. The letter stated that the failure to do so represented a breach of the financial memorandum.

53. Following receipt of the letter, the College put in place arrangements to avoid this occurring again and confirmed this in a letter to GCRB. The College also reported the matter to the FRC in October 2024. Subsequently, the SFC confirmed (via GCRB) that it was satisfied with GKC's response and considered the matter closed.

Climate change arrangements

54. 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.

55. As we reported last year, GKC has in place a climate change action plan (CCAP). The College aims to reach net zero by 2045. The CCAP continues to be available on the College website.

56. 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.

Cyber security arrangements in place at the College are appropriate

57. As part of our audit, we reviewed the arrangements GKC 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 GKC 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 GKC 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 has recently developed an approach to demonstrate that it meets with the best value framework

GKC has developed an appropriate performance management framework which directly aligns with the strategic plan

The College has recently developed an approach to demonstrate that 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. GKC submitted a report on best value to the FRC in October 2024. This report referenced the various plans, policies and arrangements which the College has in respect of the five themes and two cross-cutting themes. As such this demonstrates a systematic approach as set out in the Ministerial guidance. The College plans to review this document annually.

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 GKC's arrangements regarding the best value characteristic of 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 equality mainstreaming reports.
- The equality and inclusion committee contributes to the College upholding the implementation of the public sector equality duty. The

committee also receives progress reports on the achievement of equality outcomes.

- The GKC strategic plan includes objectives which promote equalities such as providing a varied and inclusive curriculum offer.
- The College provides training to its staff on equality and diversity and tailors this to areas identified in staff development plans.
- Equality impact assessments are carried out where required and the College makes these available on its website.

62. Overall, we are satisfied that the College has in place appropriate arrangements to meet this characteristic. The post of the equality and inclusion lead is currently filled by a fixed term appointment. The College will need to consider how best to continue to fulfil its duties in this area moving forward.

GKC has developed an appropriate performance management framework which directly aligns with the strategic plan

63. As indicated previously (paragraph 46.) the College provides six monthly updates on progress against the strategic plan to the board. These comprise of eleven performance indicators measuring against nine priorities.

64. The indicators are then taken forward to the annual report and financial statements. These are mainly presented in the performance report, although staff absence is part of the accountability report as part of the remuneration and staff report. Coverage varies as some are presented in tables and some in narrative form.

65. Overall the level of performance reporting is appropriate and provides readers with a summary of the College's overall performance.

Student attainment has improved for some FE students

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.

67. This shows that performance in 2023/24 has improved in terms of full-time FE. The College attributes this to improved retention rates following a review. All other modes current show a decline but there is still a significant amount of outstanding data (particularly for HE) which could impact on these scores.

Exhibit 6
Key performance indicators – trend analysis

KPI	2023/24*	2022/23	2021/22	2020/21	2019/20
Full-time FE	64.4%	59.6%	52.1%	57.7%	68.8%
Full-time HE	49.6%	61.0%	55.6%	69.2%	72.3%
Part-time HE	59.6%	76.1%	78.9%	75.9%	75.7%
Part-time FE	69.3%	75.1%	73.6%	78.6%	84.7%

Source: GKC annual report and financial statements 2023/24
* = some results are outstanding at the time of writing

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. **Impact from Springburn impairment** The College has developed a 5 year model which forecasts a break-even position in future years based on savings plans being put into place. However more recently the College has found issues with the Springburn campus which will likely require significant financial investment. Risk – the additional costs from remedial works impacts negatively on financial plans to the extent that the College struggles to meet ongoing obligations.	The College should seek to secure the funding required to complete the remedial works at Springburn campus and once confirmed to remodel cash flow forecasts to allow for this. Paragraph 44.	The College accepts this recommendation, and work has already commenced to do this.
2**. Transparency in decision making** The College continues to make a broad selection of Board and committee papers and minutes available on its website. The College does not though make financial reports available on the website. Risk - The College is not being consistent with the Scottish Government's 'On Board' guidance. Within this,	The College should identify and implement an approach for sharing financial information during the year to improve transparency over decision making. Paragraph 50.	The College accepts this recommendation and will progress this action in 2025.

Issue/risk	Recommendation	Agreed management action/timing
under the section on the role of the board, it refers to openness and transparency in decision making.		

Source: Audit Scotland

Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
b/f 1. Impairment review Paragraph 20.2 of the FE SORP require colleges to carry out an annual review of its assets to assess whether there has been an impairment loss. Through discussion with officers we are satisfied that this took place, however it was not documented. Risk – The College is unable to demonstrate that it has met with the accounting requirements on impairment reviews.	The College should document its annual impairment review of its assets. The College will ensure that there is written evidence to support the annual impairment review. This will be via email exchange with relevant staff, with supporting documentation if appropriate. Head of Finance 31 August 2024	**Implemented** Our testing this year confirmed that evidence of the impairment review had been retained. While this could be further enhanced by better approaches to ensure that the financial asset register agrees with the physical asset register, we are content that this recommendation has been implemented.
b/f 2. Workforce Planning The College is facing significant financial challenges, and some of the 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. There are high level workforce plans and a strategy in place. We note these plans analyse the key	We would recommend to develop a scenario based plan including more detail behind the high-level analysis.	**Implemented** In 2022/23 the College confirmed that in the current circumstances a whole organisation workforce plan with scenarios is not feasible. The College also referred to the voluntary nature of severance schemes makes an organisation wide plan difficult. The College plans further voluntary severance schemes in future years to 2027/28 so this remains similar for the medium-term period.

Issue/risk	Recommendation and agreed action	Progress
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 GKC's position in relation to its financial needs.		Internal audit carried out a review of curriculum planning in 2023/24 and found strong links between the curriculum planning process and workforce planning and budgeting.
b/f 3. Capital plans Capital expenditure plans, are based on GCRB allocations and the colleges sector estates condition survey prepared by a third party on behalf of the SFC. The capital plans prepared by the College in effect are only for one year. Risk – We would expect the College has capital plans beyond one year to manage its asset base over the long term.	We understand that the SFC and GCRB funding works in annual cycles, however we would encourage the College to have a mid to long term capital plan in place to help manage its estate and support the College in their discussions with the funding providers.	**Implemented** A report was provided to the FRC in October 2023/24 which set out capital spending plans for 2024/25. This will likely require to be adjusted for the impairment issue identified at Exhibit 2, but we are content that the recommendation has been satisfied.

Glasgow Kelvin College

2023/24 Annual Audit Report

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