Glasgow Clyde College

2022/23 Annual Audit Report

Prepared for Glasgow Clyde College and the Auditor General for Scotland

December 2023

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Introduction

1. This report summarises the findings from the 2022/23 annual audit of Glasgow Clyde College (GCC). The scope of the audit was set out in an annual audit plan presented to the May 2023 meeting of the Audit Committee (AC). 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 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new Code of Audit Practice which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank board members, AC members, the senior management team, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course 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. GCC 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 and the Code of Audit Practice

2021 , and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our 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 we raise 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. 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 2022/23 audit fee of £60,560 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add 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 2022/23 annual report and financial statements

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

Main judgements

Audit opinions on the annual report and financial statements are unmodified

Our testing found no material misstatements within the annual report and financial statements

Audit opinions on the annual report and financial statements are unmodified

11. The Board approved the annual report and financial statements for GCC for the year ended 31 July 2023 on 13 December 2023. 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 college's affairs as at 31 July 2023 and of its surplus [deficit] 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 £0.98 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. 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 financial statements and is summarised in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£0.98 million
Performance materiality	£0.69 million
Reporting threshold	£49,000

Source: Audit Scotland

14. The overall materiality threshold was set with reference to gross expenditure, which we 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 history of errors.

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

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body’s accounting practices.

18. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

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. Asset impairments During the year, an issue arose with the windows in the Anniesland campus. Through discussion with GCC it was confirmed that the windows in one of the buildings in the campus will need to be replaced. A temporary solution was put in place during 2022/23. Phase one of the rectification works commenced in October 2023 with the second and final phase planned for completion in 2024/25. Consequently, the building was closed for several months in early 2023 with learning moved to other sites (also involving other bodies). In light of this we determined that an impairment on the value of the asset was appropriate. In December 2022, the UK government issued a notice regarding RAAC. This followed recent investigations which identified that roof leaks could lead to the deterioration of RAAC planks. On 9 August 2023, further to increasing public awareness of concerns regarding RAAC, the SFC wrote to colleges to request information on the presence of RAAC in college estate buildings. The College commissioned the relevant survey reports and, in September 2023, received reports that confirmed there is no RAAC at either the Anniesland or Langside campuses. However, RAAC has been identified in the boiler room and changing rooms at the Cardonald campus. In those areas where the College technical advisors have recommended access restrictions these have been implemented. This suggested a further impairment was appropriate in light of the RAAC issue.	The College was proactive in approaching the valuer to assess the potential impact of the issue with the windows at the Anniesland Campus. Having approached its valuer, the College was informed that the most appropriate course of action was to impair the value by the estimated cost of reparation works. Early discussion with the College ensured that the issue regarding the windows at Anniesland campus was duly considered for impairment. Having considered the evidence provided, it was agreed that this course of action was the most appropriate given the information available. The draft accounts contained an adjustment based on estimates from a contractor, provided at that point. After the RAAC issue became known, the College engaged with the same contractor to provide an estimate for correction of both issues. This resulted in a small adjustment to the impairment charge for Anniesland. Both adjustments were processed through the revaluation reserve and therefore did not impact on the deficit position.
2. Pension asset ceiling In 2022/23 the College's actuary presented a report with a net pension asset, i.e., its share of assets was greater than forecast obligations. The draft annual report and financial statements presented to audit disclosed the net asset of £33.17 million.	Through discussion with the College it was agreed that an adjustment was required to the net pension asset, in line with the actuary's advice. The asset ceiling adjustment initially reduced the asset to nil. During discussions, the College informed the auditor that the pension

Issue	Resolution
Subsequently the actuary presented a second report exploring options regarding an asset ceiling. In doing so, the actuary followed the relevant standard (IFRIC 14) which is applicable under FRS 102. The pension asset ceiling approach compares the College's forecast pension contributions against the actuary's estimate of the cost of pensions earned in that year. This is then assessed over an appropriate time period (in this case 12 years). Where the College's forecast contributions total to less that the cost of pensions, it is appropriate to report the difference as an asset. In GCC's case, the forecast contributions were greater than the cost of pensions. In these cases the standard requires that organisations report a nil balance.	fund was planning a reduction in contributions which will impact on the pension asset ceiling adjustment. The reduction in contributions was subsequently confirmed by the pension fund and a final net pension asset of £3.449 million was agreed. The College had requested a pension asset ceiling in 2021/22. The asset ceiling was larger than the net pension asset and was therefore not applied. Given that the asset ceiling was considered in the prior year, we have concluded than no prior-year adjustment is required.
3. Performance report and Governance statement The accounts direction issued by the Scottish Funding Council requires colleges to follow the FReM when preparing its performance report and governance statement. The Scottish Public Finance Manual (SPFM) also sets out requirements for the governance statement. The FReM requires the performance report to be split into two defined sections, the performance overview and the performance analysis. The accounts direction also provides guidance about this, setting out what should be included within each section. The layout of the performance report in the draft accounts did not contain a separate performance overview and performance analysis section. Therefore, the format of the report did not comply with the FReM and by extension the accounts direction. Testing of the governance statement also found inconsistencies with the SPFM. For example, it did not include a statement that the systems have been in place for the year under review and up to the date of approval of the annual report and accounts.	The points were raised and discussed with the finance team during the audit with suggestions offered to remedy the situation. The changes made ensured that the performance report in the revised accounts met with FReM and accounts direction requirements.

Source: Audit Scotland

Our audit work responded to the risks of material misstatement we identified in the annual report and financial statements

20. We have 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 financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we 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 International Standard on Auditing (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 during the period. • Evaluate significant transactions outside the normal course of business. • 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	Our testing of the controls around journals found that they operated as expected. We did not find any evidence of unusual activity through speaking to individuals and reviewing the data from our data analysis model. Our testing of year-end journals found no issues. Through review of data extracted from the ledger, we did not find any significant transactions outside of the normal course of business. We are satisfied that changes to accounting estimates were based on a change in information provided to the College. Our substantive testing of income and expenditure transactions did not find any issues and confirmed that items had been reported in the correct year. Our testing of accruals and prepayments did not find any issues.

Audit risk	Assurance procedure	Results and conclusions
	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 due to changes in market conditions or unforeseen circumstances such as property impairment. It is therefore important that Glasgow Clyde College 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. • 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. • Challenge management's assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. We will critically assess the appropriateness of any assumptions. • Critically assess the adequacy of the College's disclosures regarding the assumptions in relation to the valuation of land and buildings.	We ensured that the College had 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 were objective. We confirmed that the valuer was independent of the College and that management appropriately considered the advice provided. We reviewed the disclosures in the financial statements and confirmed that they were consistent with supporting material, including the valuers report.
3. Estimation in the valuation of pension asset/liability Glasgow Clyde College is a member of the Strathclyde pension fund (i.e. the local government pension scheme) and financial statements for it under the relevant accounting standard (FRS 102). At 31 July 2022 the net asset was £20.2 million.	• Review of information provided by the College to its actuary. • Completion of '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.	We confirmed that the College had 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.

Audit risk	Assurance procedure	Results and conclusions
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 information, can result in a material misstatement.	• Testing of pension disclosures in the financial statements, including disclosures in the key estimates and judgements note.	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 also attended a meeting to discuss the implications of a further report from the actuary concerning the pension asset ceiling (see Exhibit 2, item 2). We confirmed that disclosures were consistent with supporting records, including advice from the actuary.

Source: Audit Scotland

Our testing found no material misstatements within the annual report and financial statements

21. The adjustments to the impairment charge and net pension asset presented in Exhibit 2, items 1 and 2 resulted from a change in estimate rather than an error. As such these are not considered to be misstatements. Overall our audit did not identify any misstatements above our reporting threshold.

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

22. The unaudited draft financial statements were received on 14 September 2023. The unaudited draft annual report and financial statements were received on 9 October 2023. The date of receipt of the draft annual report was slightly later than the date set out in our annual audit plan but did not prevent us from completing the audit on time.

Good progress was made on prior year recommendations

23. GCC has made good progress in implementing the audit recommendations identified by Azets, the College's previous external auditor. 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 deficit in the 2022/23 adjusted operating position largely due to costs associated with voluntary severance

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

GCC has appropriate financial control arrangements in place

GCC reported a deficit in the 2022/23 adjusted operating position largely due to costs associated with voluntary severance

24. As shown in Exhibit 4, GCC reported an operating deficit before other gains and losses of £0.96 million in the Statement of Comprehensive Income for the year ended 31 July 2023. The deficit decreased by £2.91 million from 2021/22 due to increased income from sources such as catering as well as the Glasgow Clyde Education Foundation.

Exhibit 4
Financial performance in 2022/23

Financial performance	2022/23 (£m)	2021/22 (£m)	Difference (£m)
Income	55.28	52.37	2.91
Expenditure	(56.24)	(56.24)	(0.00)
Surplus/(Deficit)	**(0.96)**	**(3.87)**	**2.91**

Source: GCC annual report and financial statements 2022/23

25. The 2022/23 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).

26. The College's adjusted operating position in 2022/23 was a deficit of £0.50 million, see Exhibit 5. The adjusted deficit represents 0.9% of total income. The College had originally budgeted for a deficit of £0.48 million.

27. The College has undertaken a voluntary severance scheme in 2022/23 costing £1.01 million with no additional support. This is the most significant reason for the deficit position but is necessary to allow the College to better position itself for real-terms funding reductions in the coming years.

Exhibit 5
Adjusted operating position in 2022/23

Adjusted operating position	2022/23 (£m)	2021/22 (£m)	Movement (£m)
Surplus / (Deficit) before other gains and losses	(0.96)	(3.87)	2.91
Depreciation (net of deferred capital grant release)	1.16	1.82	(0.66)
Non-cash pension adjustments	0.29	3.33	(3.04)
Early retirement provision charged to SoCI	(0.34)	(0.45)	0.11
Arm's Length Foundation capital grant	(0.65)	(0.04)	(0.61)
Adjusted Operating Surplus	**(0.50)**	**0.79**	**(1.29)**

Source: GCC annual report and financial statements 2022/23

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

28. 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.

29. The College set a deficit budget of £0.48 million for 2022/23 in light of funding constraints. The forecast deficit position was reported to the Board during the year, which identified that it had improved by December 2022 to

£0.20 million. The in-year reports also provided good explanations for this movement.

30. The in-year reports provided a good indication of the year-end adjusted operating deficit. In light of this, we have concluded that the College has appropriate and effective budget setting and monitoring arrangements.

GCC has appropriate financial control arrangements in place

31. 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. We found that controls were generally operating as expected.

32. We also carried out some tests of control in relation to the payroll system. We found no weaknesses which could affect the College's ability process financial data to result in a material misstatement in the financial statements.

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 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.

34. The College has an anti-bribery, fraud and corruption policy which was approved by the Board in August 2019 with a review date of 2024. This sets out the high-level approach to fraud and is supported by other documents. The most notable being the fraud response plan which sets out in detail the process to be followed in the event of an allegation. This demonstrates that GCC has appropriate arrangements in place to prevent and detect fraud or other irregularities.

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

The College has a rolling 5-year financial forecast in place and has clearly communicated the level of savings required to its Board

The College plans to make savings from voluntary severance schemes to reduce overall costs but must do so while continuing to meet learning targets

The College has a rolling 5-year rolling financial forecast in place and has clearly communicated the level of savings required to its Board

35. The College has a rolling 5-year financial forecast in place and provides updates on this to the finance and resources committee. It also uses it to inform the annual financial forecasting returns to the SFC as well as the annual budget setting process.

36. Underpinning the forecast, the College makes a series of assumptions about key variables such as funding, pay awards and inflation. These assumptions appear reasonable but should be kept under review in light of changes in the wider economy.

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

38. From review of the 5-year forecast and discussions with staff, we are content that the College has effective arrangements in place. We are also content that members are kept suitably informed about the financial position. In addition, the College also presented a financial sustainability update to the Board in March 2023 which set out a detailed savings plan.

The College plans to make savings from voluntary severance schemes to reduce overall costs but must do so while continuing to meet learning targets

39. The 5-year forecast also factors in planned savings through voluntary severance (VS). Given staff costs accounts for 73% of total costs in 2022/23, it is necessary to focus on this area in an effort to reduce expenditure. In 2022/23 the College released 12 employees, costing £1.09 million. A further VS scheme is planned for 2023/24.

40. As colleges are funded through achievement of credit targets (based on hours of learning activity), GCC will need to carefully manage its VS process. The SFC has reduced credit targets by 10% which will help ease this process to some extent, but it will remain a challenge.

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

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

The College appropriately sought advice regarding a retrospective payment but received a letter indicating a breach of the financial memorandum

The College has a clear vision and strategy

41. GCC’s Strategic Plan covers the period from 2022 to 2025 and is available on the College website. The plan clearly sets out the vision for the College and identifies three strategic themes as well as a further two cross-cutting themes. A series of objectives have been set under each of the themes.

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

42. 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.

43. The College makes a broad selection of Board and committee papers and minutes available on its website. This provides a good range of information about the College. For instance, the overall financial position is conveyed through the minutes of the Finance and Resources Committee.

The College appropriately sought advice regarding a retrospective payment but received a letter indicating a breach of the financial memorandum

44. The College received a letter from the SFC indicating a breach of the financial memorandum between it and Glasgow Colleges Regional Board

(GCRB). This concerned a payment to individuals who had previously been employed by the College on a fixed-term basis and who had different leave entitlement to those on permanent contracts. The individuals had taken their case to an employment tribunal.

45. Ahead of the tribunal, the College's legal advisors concluded that there was a case to answer. The College subsequently concluded that mis-payments had been made. To avoid paying additional legal costs, GCC sought to make a retrospective payment in advance of the tribunal and sought GCRB's advice on whether SFC approval was needed. As part of our audit we have seen evidence that the College approached GCRB ahead of the payment being made.

46. GCRB initially stated (verbally) that SFC approval was not needed. However, subsequent to the payment being made GCRB then advised GCC that it should have sought SFC approval prior to payment. The SFC did though provide retrospective approval of the payment meaning there are no regularity concerns.

47. We are satisfied that the College acted appropriately in approaching GCRB in the first instance. We understand that the College acted on advice from GCRB but this has not prevented it from receiving a letter from the SFC indicating a breach.

48. The College has developed a mechanism with GCRB that should reduce the risk to it being to a similar kind of risk in the future. In our view this new arrangement is reasonable and provides clarity on respective roles and responsibilities.

Climate change arrangements

49. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. 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.

50. The College signed up to the sector commitment in October 2021. This included a pledge to reach net zero as soon as possible, and by 2050 at the latest. It also set an interim target to achieve in the next decade toward or beyond a fair share of the 50% global reduction in carbon. To that end, the College plans to achieve 3% to 5% reductions annually by 2025.

51. To achieve this, GCC has developed a climate change action plan (CCAP). This was prepared and approved by the Board in June 2022 and is available on the College website. An update to the CCAP was presented to the Audit Committee in May 2023. The annual report and financial statements also refer to the CCAP and the achievement of reductions to date.

52. The actions outlined above provides evidence that the College demonstrates an awareness of its climate change responsibilities. It also confirms that it is taking active steps to further reduce its carbon emissions to meet its stated targets.

53. The Auditor General 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.

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 arrangements in place to secure Best Value but these could be strengthened

The College has developed an appropriate performance management framework

The College has arrangements in place to secure Best Value but these could be strengthened

54. Ministerial guidance to Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the Board of 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.

55. The College's Financial Regulations makes reference to Best Value and the section within the SPFM. The assurance framework (presented to the Audit Committee in May 2023) also makes reference, focusing on procurement arrangements. We will continue to review this area over our five-year appointment and will provide updates in our annual reports.

The College has developed an appropriate performance management framework

56. Securing the economical and effective management of the College's resources and expenditure is the responsibility of the Board.

57. The Financial Memorandum between the SFC and GCC 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.

58. The College’s financial regulations set out the responsibilities for preparing performance indicators. Regular reports are presented to the finance and resources committee covering indicators relevant to that forum. This includes indicators such as the operating financial position, delivery against credit targets and number of days of cash held.

59. Similarly, regular reports are provided to the learning and teaching committee covering educational matters. Indicators reported here include student satisfaction rates, withdrawal figures and achievement.

60. These reports are not explicitly linked to the Strategic Plan, but there is a good read-across between them. For example, the educational indicators are relevant to the strategic objective for inspirational learning and teaching. Moving forward the College may want to think about more explicit links between the strategic plan and performance indicator reports.

61. We will work with the College over the term of our audit appointment to identify ways to improve Best Value reporting. This will include sharing examples of best practice identified in other public sector bodies.

Student attainment has improved from last year but is still below pre-Covid levels

62. 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 6 summarises this data.

63. Student attainment information over the last five years is presented in Exhibit 6. This shows that performance in 2022/23 has improved since last year but still remains below pre-Covid levels.

Exhibit 6
Key performance indicators – trend analysis

KPI	2022/23	2021/22	2020/21	2019/20	2018/19
Full-time FE	59.0%	57.2%	63.9%	70.1%	68.0%
Part-time FE	71.1%	68.6%	70.5%	80.1%	76.2%
Full-time HE	65.8%	60.4%	71.3%	77.4%	73.0%
Part-time HE	73.5%	71.3%	77.0%	80.1%	77.2%

Source: GCC annual report and financial statements 2022/23, 2021/22, 2020/21 and 2019/20.

Appendix 1. Action plan 2022/23

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
b/f 1. 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. 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.	We would recommend to develop a scenario based plan including more detail behind the high-level analysis.	The College does undertake workforce planning within the areas over which it has some control. This includes an extensive annual curriculum portfolio planning and review process which is based on the latest information available from internal and external sources and is a key factor used to inform work force plans for subsequent academic years. In addition, the College has been implementing a range of cost reductions measures including voluntary severance taking cognisance of the expectation that all possible steps will be taken to avoid compulsory redundancies. This process is still ongoing which makes workforce planning even more challenging. It is also important to highlight that the College sector only receives one year funding allocations from Scottish Government which makes forward planning difficult. A further point to highlight is that SFC provides detailed credit guidance, which has a significant impact on the

Issue/risk	Recommendation	Agreed management action/timing
		annual portfolio planning process, extremely late in planning terms e.g. the credit guidance for academic year 2023/24 was not received until June 2023. Furthermore, all matters relating to pay, and most matters relating to staff terms and conditions, are negotiated by Colleges Employers' Scotland (CES) through the national bargaining process. As a result, the College's ability to workforce plan out with these parameters is severely restricted. The College therefore believes that there is not enough reliable data available sufficiently in advance to enable the College to implement an effective scenario-based work force planning model at this time. 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
b/f 2. Cash balances The College has a reserves cash policy of maintaining a minimum level of 15 days of baseline cash, plus a cash balance to cover for a potential Lennartz (VAT on	The College should consider how it ensures that cash balances are at more appropriate levels. This might include reviewing its cash reserves policy.	Complete – the College was able to demonstrate that its baseline cash position (after making adjustments for funds held for other purposes) equated to 25 days. We are satisfied that this is a

Issue/risk	Recommendation	Agreed management action/timing
past capital projects) liability which has now been settled in full. At the year end the closing cash balance was over £10 million which equals to 75 days. **Risk** – A key principle for public bodies is that they do not draw down cash in advance of need.		reasonable cash level for the College.

Glasgow Clyde College

2022/23 Annual Audit Report

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