The Committee will meet at 2 pm in Committee Room 6.

1. **Items in private**: the Committee will consider whether to take agenda items 3 and 4 in private.

2. **Area Tourist Board Review**: the Committee will take evidence from:

   - Philip Riddle, Chief Executive, VisitScotland;
   - Peter Lederer, Chairman, VisitScotland;
   - John Brown, Head of Tourism and Architectural Policy Division, Scottish Executive Education Department;

   on the Area Tourist Board Review.

3. **Arts in the Community inquiry**: the Committee will consider a draft report on its Arts in the Community inquiry.

4. **Further and Higher Education (Scotland) Bill**: the Committee will consider a Stage 1 draft report.

Judith Evans
Acting Clerk to the Committee
Ext. 0131 348 5214
The following meeting papers are enclosed:

**Agenda Item 2**

Submission from VisitScotland

Submissions from the Scottish Executive:

The Tourism Network Implementation Framework

The Tourism Network Scotland Project - Project Advisory Board minutes of meeting 1 November 2004

Submission for the Area Tourist Board Network Chairs

Enterprise and Culture Committee 26th Meeting 2004 – Official Report (link attached)
[http://www.scottish.parliament.uk/business/committees/enterprise/or-04/ec04-2601.htm](http://www.scottish.parliament.uk/business/committees/enterprise/or-04/ec04-2601.htm)

**Agenda Item 4**

Arts in the Community inquiry draft report (*private paper*)

**Agenda Item 5**

Further and Higher Education (Scotland) Bill Stage 1 draft report (*private paper*).

Follow up information from:

Association of Scottish Colleges

Association of University Teachers

Educational Institute of Scotland

National Union of Students (Scotland)

Universities Scotland

Scottish Executive

SPICe briefing paper
Introduction

The Scottish Executive has commissioned VisitScotland to deliver an integrated tourism network from the existing 14 Area Tourist Boards (ATBs), Tourist Board Training and VisitScotland that is operational by April 2005. This is the aim of the Tourism Network Scotland project. We are on target for delivery.

Progress

Since the committee last discussed the ATB review at their meeting in May, the following progress has been made in achieving this aim:

Following the finalisation of the Network Vision document, Proposals were developed, outlining the recommended processes, structure and systems which would best deliver this vision for the new organisation. This specific process involved

Input from over 70 members of TNS project teams
- Commissioning and collating over 30 audits and
- Designing over 60 new or refreshed business processes

This work was completed on time and has been published internally

- The Scottish Statutory Instruments has completed its progress through the Scottish Parliament and came into force on 1 December
- The VisitScotland Challenge Fund was launched on the 19th November making £1m available to groups of tourism businesses
- The Tourism Network Implementation Document was published on SPICE and on our industry website scotexchange.net outlining what the new network will do
- The Local Authority Partnership Agreement Framework has been agreed and circulated to Local Authorities
- The process of matching people to new posts is underway

Project Structure

This project is being led by The Scottish Executive. The Executive has commissioned VisitScotland to deliver the project on their behalf. The project structure includes a Project Advisory Board (PAB), chaired by the Minister and includes representation from our partners – Area Tourist Boards, VisitScotland, Scottish Executive, Local Authorities, STUC, Scottish Tourism Forum, Scottish Enterprise, Highlands and Islands Enterprise, and the Federation of Small Businesses. Its remit is to maintain a strategic overview of the progress of the project and ensure a satisfactory delivery. Informing the Board is the Project Progress Group, whose role is to provide project assurance. This group has representatives from Area Tourist Boards, Highlands and Islands Enterprise, Scottish Enterprise, Scottish
Tourism Forum, and the Scottish Executive and is attended by the Project Director and Project Manager.

See Appendix 1 and 2 for further details of the Groups’ remits and membership.

Inclusive Process

- This has been an inclusive process which has involved 9 teams, and input from over 100 people from VisitScotland, the ATB network, Enterprise Networks, Local Authorities, and tourism associations and businesses.
- Four of our nine team leaders were from the ATB network, including the project director, and ATB staff made up roughly 40 per cent of team membership.
- Our teams have delivered consistently on time and produced excellent work which is a credit to the many organisations for which they work.
- A survey conducted of team members indicates that pre-briefing for team members was good and that there is a confidence in the team to deliver. In general, respondents felt that there was adequate feedback from team leaders, team members, and their CEO but the feedback was less adequate from the Progress Group and Project Board. The research also demonstrated that we need to improve the project extranet and improve the clarity between teams. These are areas which we will address in the next phase of the project.
- In addition to the communication outlined below and the regular informal feedback the project has received, we have also invited formal feedback from over 100 businesses as part of specific initiatives such as the development of the Network Vision and the marketing opportunities packages.

Communication

Previous evidence from others to the committee’s summer session (session 2) suggested there were concerns regarding the communication of the project to our stakeholders. Communication has since been prioritised by the project team and a large range of activities have been undertaken to improve this.

Recognising that our stakeholders have different communication preferences, we have a robust communications programme using a number of different channels

- We have given over 100 presentations to industry organisations and trade bodies
- We have presented at 12 ATB AGMs
- We have had input to several team meetings and have given formal presentations at 13 staff meetings since the beginning of November.
- Fortnightly staff and industry bulletins are sent out
- A staff intranet has been set up for everyone in the network to access
- Meetings have taken place with 40 MSPs over the past few months; a dedicated newsletter – Tourism Matters has been issued
- We have had at least one meeting with all 32 local authorities; the next round or meetings is being set up for December and January
- We are piloting new ways of reaching the industry – with a Sunday tele-conference, a live web chat and an outreach programme.
- Ongoing press activity which resulted in coverage in local and National media.
- Dedicated area has been developed on our industry website
• Creation of virtual communications group (representatives from ATBs, STF, COSLA) to ensure regular two-way flow of communication

Where possible we have prioritised talking to people to ensure our communication is interactive and two-way. We have found this extremely useful in refining our plans and better understanding the key issues concerning our stakeholders. We have a Frequently Asked Questions document which now has 101 answers on questions raised by our stakeholders, published on our industry website. In addition to this feedback we have regular feedback through more formal structures, in particular the Virtual Communications Group (which has representatives from each Area Tourist Board, VisitScotland, Scottish Tourism Forum and a range of other stakeholders), the Project Progress Group and the Project Advisory Board.

We also have received feedback through our email inbox (tns@visitscotland.com) and we have a target of turning around enquiries within 48hrs. On average we receive 2-3 emails a week.

**Relationship with Tourism Businesses**

As a result of the decision by the Minister to discontinue ATB membership, new opportunities are presented in developing our relationships with tourism businesses

During the summer we spoke to a range of businesses – small, large, rural, city-based, start-ups and long established. A few examples of what they have requested and what we have delivered are below:

• **A single point of contact**, based as locally as possible, who can give advice and information on national and local tourism services, but can also bring in specialist support as and when required. Therefore, the new organisation will have local contacts based all over Scotland who can deliver this requirement and also signpost to other agencies such as the enterprise networks and local authorities for other tourism business support.

• **A choice of marketing opportunities** – some businesses told us they wanted to have the opportunity to purchase the marketing opportunities most suited to their needs and wanted to see the full range of marketing opportunities – national and local – in order to make that decision. Others told us that the full range of opportunities was too overwhelming and preferred an option where they could purchase a package, which had a single price tag attached. Therefore we are developing both options and have undertaken further research in November to find out what businesses would value most in a package.

Businesses will be invited to purchase these opportunities in late February 2005 for 2006/07. Marketing opportunities for 2005-06 are being managed by the current ATB network.

• **Marketing funding** – businesses also told us they wanted access to public sector funds to assist them with their marketing and the first phase of the VisitScotland Challenge fund was announced in November this year.
Relationship with Local Authorities

In recognition of the significant contribution Local Authorities have made and continue to make to the development of tourism at a local level, we have worked closely with our colleagues at COSLA and within individual Local Authorities. This has been a particularly positive collaboration, leading to the development of the following initiatives:

- Agreement on the extension of the VisitScotland Board, when primary legislation permits;
- Development of a Chair’s Committee, to facilitate a review of strategic tourism issues, involving representatives from the VisitScotland Board and councillors;
- Establishment of a National Convention for Tourism involving representatives from all 32 Councils;
- Development of Area Tourism Partnership Plans, building on the success of the existing Area Tourism Strategies;
- Creation of Area Tourism Partnerships bringing together the key local players to agree Area Tourism Partnership Plans;
- Formation of a Partnership Agreement Framework to facilitate agreement between individual Local Authorities and the new network;
- Development of proposals for separate platforms in the promotion of business tourism in the cities of Glasgow, Edinburgh and Aberdeen.

We are well aware of the responsibility and accountability the new network must have towards its local partners and are grateful for the support Local Authorities and COSLA have shown to the project.

Business Plan

- We are close to completing a financial overview which will identify what will be required to ensure the viability of the network. This work will be complete at the end of December 2004, as scheduled.
- We have broad support from the Local Authorities and informal indications are that their financial contribution can be sustained at least at current levels for the first year of operation.
- In the long term we will maintain and even exceed income to the network through revised marketing opportunity packages which have been developed to replace membership. In the short-term there may be some reduction through the transition.

Corporate Culture

- The new integrated network will use the name VisitScotland, and the values of the new organisation have already been agreed. We will be ‘one team for tourism, working in partnership, to exceed visitor’s expectations’. Embedding a new culture, new values and new ways of working will be critical to our success. We have piloted a change management workshop in the Borders which was well received by staff and we are now considering how to take this forward.
Managing the Transition

- It is important where we make changes in the substance of a service that we continue to involve and engage our stakeholders.
- We recognise the need to move at a pace which fits with our stakeholders, in particular the industry. While there are significant changes happening across the network our aim will be to ensure our customers experience ‘business as usual’.
- Our people are our greatest asset and we have an abundance of skills and expertise within our organisations that we want to preserve and build upon, developing ‘one team’ which can provide meaningful and genuine support to the Scottish Tourism Industry in reaching our ambition of 50% growth by 2015.

VisitScotland
1 December 2004
Appendix 1

Tourism Network Scotland Project Advisory Board (PAB)

Role and Remit

1. The role of the Project Advisory Board is to maintain a strategic overview of the progress of the project. It will do this by considering and reviewing high-level progress reports from the Project.

2. Its remit is to ensure that satisfactory delivery of the project is achieved.

3. It will meet approximately 4 times a year during the project life cycle, until at least June 2005.

List of Members

- Patricia Ferguson, Minister for Tourism, Culture and Sport (chair)
- John Mason, Head of Group Tourism, Culture and Sport, Scottish Executive
- Peter Taylor, Chairman, The Townhouse Company
- Philip Riddle, Chief Executive, VisitScotland
- Robin Shedden, Chairman, Kingdom of Fife Tourist Board
- Bill Spiers, General Secretary, STUC
- John Downie, Scottish Parliamentary Officer, FSB
- Cllr. Willie Dunn, COSLA
- Sandy Brady, Director of Strategy, HIE
- Graham McKee, Senior Director of Operations, SEN
Appendix 2

Tourism Network Scotland Progress Group

Role and Remit

The role of the Progress Group is to provide project assurance by means of the following activities:-

- agree the overall project structure / timetable / plan;
- review resource allocation;
- review project progress against plan;
- check that effective risk strategies are in place; and
- act as an arbiter on project issues escalated from the project team.

The remit of the Progress Group is to monitor progress with delivery and budget performance for the project, under the overall remit of the Project Board.

It will meet every 2 weeks or as required

List of Members

- John Brown, Tourism and Architecture Policy Division Scottish Executive (chair)
- Jack Munro Chief Executive ELTB
- Alan Rankin Chief Executive Scottish Tourism Forum
- James Fowlie COSLA
- Eddie Brogan Scottish Enterprise Tourism team
- John Ward Highlands and Islands Enterprise
Tourism Network Implementation Framework Document

3 November 2004
TOURISM NETWORK IMPLEMENTATION AT A GLANCE

The attached framework document sets out in summary form the functions and structure of the integrated tourism network which the Scottish Executive has commissioned VisitScotland to deliver by April 2005. There is of course much more detail than this available within the project team, but the framework covers all the important points.

It is important to remember why the 14 separate area tourist boards and VisitScotland are being merged into a single integrated tourism network:-

- The global market is fiercely competitive, with 180 others countries competing
- The tourism sector must respond quickly to customers’ needs and global trends
- To help it do that, we need a support network which itself is simpler, more flexible and more customer-focused than the present structure
- The integrated tourism network is needed to underpin our shared ambition to grow tourism revenues by 50% by 2015

So what are we creating?

- A single national tourism network developed through the integration of VisitScotland and 14 area tourist boards and building on the strengths and expertise of both the ATBs and VisitScotland
- 14 area tourist offices across the network with each functioning as a single point of contact for tourism businesses
- One team for tourism – delivering and implementing a national strategy complemented by local tourism action plans
- Each office will major on tourism business engagement, as well as building partnerships with local business groupings and other partners like local authorities

You may well say – that looks pretty familiar, what will be so different between a network with 14 offices, and the present structure of 14 ATBs? Here are the changes that we think will make a big difference:-

- Access to all the facilities of a single national organisation, and to expert help and advice, all through a single point of contact
- Businesses will no longer pay membership fees
- Instead they can buy as many or as few of the commercial packages on offer as they think they need to help build their businesses, with transparency of charges for these packages
- The network will make it easier for tourism businesses to work with VisitScotland
- There will be a big expansion of existing and new quality assurance schemes, and there will be QA experts available locally to help businesses with quality issues
- There will be a new £1m Challenge Fund
- There will be better integration of services with the enterprise networks
- There will be partnership agreements with local authorities.
We will be reinforcing the links between local authorities in each area and tourism service delivery. To achieve this it is proposed to:-

- Set up Area Tourism Partnerships in each area supported by the tourism network office, with strong representation from local authorities and businesses
- These Partnerships will be responsible for developing area tourism partnership plans
- The current system of local authority grants to ATBs will be replaced with partnership agreements between local authorities and VisitScotland based on the area tourism partnership plans.
- This will enable local authorities to determine exactly what they are receiving for their money and also clearly define what they are expected to deliver
- At national level a Chairman’s Committee of the Board of VisitScotland will be set up with business and local authority representation
- A National Tourism Convention involving all local authorities will also be set up

The Benefits

- For tourism businesses - no membership but buy as much or little as needed, with transparency of charges. A single contact point. Expansion of existing and new QA schemes. £1m Challenge Funding.
- For Visitors – common aim to exceed visitors’ expectations. New, innovative products. Streamlined products and services, pricing structures. Integrate information and sales at Tourist Information Centres. Confusing administrative borders removed.
- For Staff – more and wider career opportunities in tourism support. Access to more training. Working on national and local plans. New retail and information strategies. New IT system including state of the art databases. Integrated procedures, policies, procurement and pricing structures.
- For local authorities – clearer view of what they get for their tourism funding from the network. National Convention. Partnership Agreements.

So when is all of this going to happen?

- The outline structure was announced on 3 November
- From November to March the project team will be setting up the network, including evaluation of staff roles required
- The tourism network – called VisitScotland – will be available to businesses from 1 April 2005.

Any questions? Email them to tns@visitscotland.com

Tourism Network Scotland Project Team
3 November 2004
1 Introduction

This paper provides an overview of the proposals developed through the Tourism Network Scotland Project for an integrated tourism network for Scotland. The Project was set up to deliver the integrated Scottish tourism network announced by the then Minister for Tourism, Culture and Sport in March 2004.

It supports a wider and more significant initiative to increase the value of tourism to the Scottish economy by 50% by 2015. It is also an element in the Scottish Executive’s wider Promotion of Scotland strategy.

2 Background

Business case for change

- A changed tourism environment affecting ATB functions. This has led to changed consumer preferences for planning and buying holidays.
- The need to focus tourism support and marketing effort to maintain and strengthen Scotland’s competitive position.
- The need for greater clarity of respective national and regional roles and responsibilities.
- A more flexible approach to area boundaries, which are becoming irrelevant to visitors.
- Better use of gateway locations to encourage the spread of visitors.
- The need for a sustainable financial base for the structure.
- The need for stronger integration of tourist support across the Scottish Enterprise, Highlands and Islands Enterprise, and VisitScotland networks.

Project Objectives

The Scottish Executive commissioned VisitScotland to:

- Design and agree the business processes necessary to discharge the remit;
- Design, agree and implement a network structure to implement these processes;
- Develop a business plan for the network with a sustainable financial position;
- Ensure a smooth transition to the new network;
- Identify and manage the risks attached to the project;
- Deliver the project within agreed timescales and within the project budget.

Measures of Success agreed with the Executive

- Planning phase complete by end-June 2004 (complete)
- Statement of network structure/roles and responsibilities by end-Oct 2004;
- Content of Marketing Opportunities for 2005/6 agreed by end-October 2004 with prospectus document issued in February 2005.
- Network Business Plan demonstrating financial viability by end December 2004;
- Negotiations with all local authorities on funding and partnership complete by end-February 2005;
• ATB staff in post on 31 March 2005 transferred to Network Tourist Boards on 1 April;
• Network in operation April 2005; and
• Network fully functional by end-March 2006

The role of the local network

An essential feature of the proposals is to provide a network of local offices across Scotland, built on the foundation of the current Area Tourist Board offices. These network offices will:

• Act as the main point of contact with industry, local authorities and other partners.
• Have a major role in industry and partner engagement. The principal officer in each of these offices, with the proposed job title of “Area Director” is expected to devote around 60% of his or her time to this function, which includes liaising with local authorities. The remaining workload will include support for working with other stakeholders, marketing, strategy management, TIC operations and corporate services.
• Lead in developing and managing area tourism partnership plans and the partnership agreements with local authorities that will support these plans.
• Manage local marketing projects.

There will be a local presence from other VisitScotland departments in local offices. This will specifically include a representative from Quality and Standards. For some services, specialist staff will provide services for a group of offices.

Although network offices are centred on existing ATB offices, the teams will not be rigidly tied to geographical boundaries. There will be a flexible approach based on the most appropriate use of resources and the needs of customers and stakeholders. The proposals include expanding VisitScotland’s presence in London, to include contact management with London based industry and public sector players and a business tourism sales role, as well as the established tourist information and promotion activity.

3 Network Vision

The principles and organisational values that underpin the project are:

Principles

• Visitor Focussed
• Simplicity
• Customisation to needs
• Providing Added Value
• Quality Based
• Inspiring
• Social, Cultural and Environmental awareness
• Commercially efficient
• Driven by targets and performance
• Delivery at the level most appropriate to our customers
• Acting cohesively as one body
Organisational Values

The values proposed for employee behaviours in the network are:

Excellence, Pride, Inclusion, Innovation, Confidence

4 Project Methodology

Involvement and consultation

The project teams were drawn from throughout the ATB network and from VisitScotland, bringing a wide range of skills and expertise, as well as people from our stakeholders - Local Authorities, the Enterprise Networks and the private sector.

Risks

The project maintains a risk register and there is dedicated risk manager who ensures the project adheres to the agreed risk policy.

Assumptions

The proposals were developed within the following planning assumptions:

- Build on existing strengths and expertise of ATBs and VisitScotland
- Central funding £3.3 million for the distributed network from VisitScotland will be sustained
- Local authority funding of at least £8.2 million will be sustained
- All of the additional resources from the Scottish Executive will be targeted at marketing and quality development
- Headcount in Edinburgh HQ not to exceed current VisitScotland complement
- The structure will be a single new organisation – network offices will not be separate entities
- Continuity in managing European funded projects and drawing down approved funding
- Change is synchronised with business cycles
- Efficiency savings will be achieved through integration
- Re-engineering on some services will continue through 2005.

5 Operating environment

Finance and resources

In 2003-4 Area Tourist Boards had an aggregate income of £34 million (based on final audited accounts). The estimated income in 2004-5 has reduced to £31.3 million, against gross expenditure of £32.4 million, representing an overall operating deficit of £1.1 million. This projection is based on financial plans set at the beginning of the year and is subject to adjustment as better information on actual spending levels becomes available.
Looking ahead to 2005-6, and assuming that local authority funding is maintained at £8.2 million, it is estimated that the ATB network, continuing without structural change, but without membership subscription revenue, would have faced an operating shortfall of between £2.3 million and £4.4 million. The range of the shortfall would depend on the extent to which the £2.1 million revenue derived from membership subscriptions could be replaced.

Proposals have been developed on the basis that new network costs should not be more than current costs, that savings must be identified, and that new revenues need to be maximised. The proposals are not yet at a level of detail that allows accurate costing. Work is continuing on this with the target of having a fully costed network business plan for 2005-6 completed by 31 December 2004.

**Partnership approach**

**Local Authorities**

Partnership with local authorities is vital to fulfil our shared ambition of growing tourism in every part of Scotland. Tourism network staff, while developing a commercial relationship with businesses, will also be motivated through a range of performance indicators to further broader partnership objectives with local authorities. Priorities for this will be to ensure that tourism supports the aims of community planning, together with local economic development.

We have developed a framework for partnership agreements between the network and Scotland’s 32 local authorities. These agreements will offer greater accountability for the investment local authorities make in the network and will move towards linking payments to agreed tangible and measurable deliverables and outcomes. These deliverable and outcomes will be closely related to the area tourism partnership plans and the new national tourism strategy that we are proposing. Given that these plans are not yet developed, we propose that 2005-6 should be a transitional year and the Minister, in consultation with COSLA, has urged local authorities to maintain their core level of funding to the network at not less than 2004-5 levels during the coming year, subject to adequate resourcing of services and activities by VS, which has yet to be clarified. Individual discussion with each local authority on this matter will take place during the budget cycle in November and December.

A major issue for local authorities is the future form of their democratic accountability in the tourism structure with the demise of ATB Boards, which included councillor representation. Following consultation and discussion, an approach for involving local authorities at elected member level in the network has been proposed using the following elements:

- A Chairman’s Committee of the VisitScotland Board, comprising the Chairman and Vice Chairman, together with representatives from local authorities and representatives from current ATBs.
- As soon as primary legislation can enable this (scheduled for 2006), an increase in the size of the VisitScotland Board to include an additional member with a local authority background.
• A National Convention on Tourism to discuss strategic issues, consisting of the VisitScotland Board and representatives from all 32 local authorities.
• Area tourism planning partnerships at local level to include local authority representatives, senior management from the tourism network, representatives from the Enterprise Network, and representatives other public bodies with local interests. It is important that tourism businesses play a leading role in these partnerships.

The remit of the Area Tourism Partnerships will include:

• Drawing up and overseeing the implementation of Area Tourism Partnership Plans
• Input to the National Tourism Strategy and review of local alignment on an ongoing basis
• Secure resources for the Area Tourism Partnership Plan from partners
• Monitoring performance of all partners
• Act, when appropriate, as a lobbying body to further the interests of local tourism, leisure, and hospitality industries.

Administrative and secretarial support will be provided by the local office. Flexibility around the above model will be possible if agreed locally.

Area Tourism Strategies have proved to be a valuable way of taking national tourism strategy forward in a local context and developing tourism plans to co-ordinate public and private sector activity. Building on this approach through Area Tourism Partnership Plans will be a priority for the network and will form a constituent part of the VisitScotland Business Plan. These plans will be central to how we manage partnerships with the private and public sectors and will be developed by Tourism Partnerships in each area.

There is a case for special arrangements in the cities of Glasgow, Edinburgh and Aberdeen to manage the city-specific aspects of business tourism promotion and support. Discussions are continuing on this subject and on the possibility of joint companies or “Special Purpose Vehicles” (SPVs) for these cities.

Industry-led Organisations

The network will undertake to liaise on a regular basis with industry representative bodies. This will be done to:

• Provide a stable platform to allow regular industry liaison meetings to take place
• Support ongoing development of better communication channels with industry
• Assist with product development opportunities when appropriate
• Undertake periodic testing of industry take-up to Visions, strategy, engagement, and new initiative testing.
• Test the clarity of local and national network delivery mechanisms
• Undertake joint approaches to the promotion and maximisation of uptake of network sales opportunities
• Undertake joint development of emerging QA initiatives.
• Gather input to the development of new initiatives and fine tuning of new network operating procedures (i.e. Challenge Fund, marketing proposals)
Partnership working with industry-led tourism organisations will be important to the success of the network. At national level, the network will maintain a strong relationship with the Scottish Tourism Forum and national industry sector organisations. This activity will be paralleled at area level in contacts with locally based organisations.

**Enterprise Networks**

The tourism network will work in close co-operation with Enterprise Networks. This will be done by:

- Aligning tourism strategy to the Executive’s FEDS strategy
- Clarifying the role of the network in areas such as product development, business advice, skills & training and research
- Co-ordinating business customer signposting to agencies at a local level

visitscotland.com

visitscotland.com has been fully involved in the project. Important interfaces with visitscotland.com are

- Marketing
- Industry account management (including selling marketing opportunities)
- Managing the product inventory to support marketing and product development
- Sales and information services
- CRM (both consumer and business)

The company structure (TourCo Ltd and ATBCo. (Scotland Ltd) that manages the collective tourist boards’ 25% stake in the joint venture will remain in place in the medium term to meet the requirements of the primary legislation that the network will continue to work within.

**EventScotland**

The network will work closely with EventScotland. As it develops, there is an opportunity for the network to provide a local point of access on behalf of EventScotland. Local teams will take over the role currently delivered by ATBs providing evaluation input to Regional Events Grant Scheme applications.

6 What the VisitScotland network will do

The network will work with – and meet the needs of – many different stakeholders. We recognise that the needs of three particular groups are paramount – our visitors (sometimes referred to as consumers), our industry customers and other partners. The network exists to:

1. Attract visitors and meet their needs
2. Engage – and work in partnership with – the tourism industry.
3. Engage and work with other public and private partners.
Attracting the Consumer

Research

Research activities for the network will be:

- Data gathering and analysis.
- Measurement and evaluation.
- Consumer insights and understanding.
- Industry insights.
- Brand planning, strategy, brand equity tracking.
- Macro and micro trend analysis.
- Scenario planning.

Marketing

VisitScotland will market Scotland as a “must-visit, must-return, must-enthuse about” destination in target markets as follows:

UK and Ireland Markets

- Continued focus on the National Marketing Strategy and product portfolio.
- Concentration of effort on consumer marketing and management of travel trade relationships. Industry Engagement will lead on trade marketing effort.
- Working closely with Industry Engagement, the local dimension of marketing will focus on brochure development, specialist marketing advice to businesses and marketing groups, website content management, and liaison with EventScotland on regional events programme.
- We will support our commitments to ERDF funded marketing projects.
- Consumer PR, exhibitions and events, new media and Research activities will be aligned to support the marketing strategy and priorities.
- A London office will be part of the national network of sales & information channels.

International Markets

International tourism accounts for 8.8% of visits to Scotland, but 19% of tourism expenditure in Scotland (£839 million).

In recognition of the very considerable growth prospects of developing markets, (particularly in Eastern Europe and in the Far East) and Scotland’s rapidly improving direct access network, VisitScotland will:

- Boost International Marketing efforts with the medium to longer term aim of rolling out overseas representation.
- Continue prioritising of markets and focusing of resources.
- Provide a dedicated resource for managing international travel trade partners and consumer marketing.
- Consolidate websites with international content will transfer this content into gateway sites.
Business Tourism

Business tourism to Scotland accounts for around £1bn expenditure i.e. 22% of total visitor expenditure. It is high yield, with business visitors spending 2.3 times more per night than leisure visitors.

To capitalise on the business tourism market potential the network will:

- Provide an integrated business tourism service for Scotland, incorporating sales, information and marketing activities.
- Enhanced collaborative working between the network business tourism team and cities of Glasgow, Edinburgh and Aberdeen, with joint venture Convention Bureaux for these cities being discussed.
- Have a presence in London.

Engaging the industry

The tourism network will engage with tourism related businesses at all levels as on the following principles:

- Each network office will deliver the five principal needs of industry customers and stakeholders. (these are Trade Marketing & Promotion, Delivery and Sales, Strategy Development, Allocation and Generation of funding)
- A minimum of 80% of industry engagement will be delivered locally – as close to the network’s business customers and stakeholders as possible.
- The design of products and services offered will be driven by business customer and stakeholder needs, and add value to their business.
- Implementation of an account management approach to build the relationship with businesses.
- The network’s range of targets will be cascaded to network staff and will be linked to personal rewards.
- These processes will be supported by an integrated CRM system.

Account management

A personal account management process will be established to focus relationships with our business customers. Activities will include:

- identifying product and service opportunities for business customers and stakeholders;
- consistently & actively promoting these products & services;
- providing system solutions to address campaign assessment etc;
- securing take up and participation across business customer markets;
- manage and distribute local funding;
- working with industry-led sector and area organisations.
Products and Services for businesses

Marketing Opportunities

The elements of the network’s marketing opportunities effort will be:

- 2005-6 Marketing Opportunities delivered on a similar basis to 2004-5 (i.e. separate national and local opportunities);
- simplified version of the combined matrix piloted in four ATBs in 2004-5;
- “Opportunity Packages” to replace membership schemes (developed – ready to be market tested and anticipated to include TIC promotional opportunities);
- QA membership an essential requirement for participating in marketing opportunities where an appropriate scheme is available;
- repeat mailing to maximise take-up;
- central handling although local look-and-feel retained;
- substantial reappraisal for 2006 and beyond.

Challenge Funding

The VisitScotland Challenge Fund will provide grants to collaborative groups of businesses to help them increase the economic benefits of tourism to their area and thus to Scotland.

It will encourage and support well researched, collaborative marketing activities from constituted groups of businesses operating at either a local or national level which will:

- complement national and area marketing strategies and show direct links with the national Product Portfolio;
- encourage businesses to work together;
- strengthen the collaboration between members of the group;
- enhance the visitor experience at local level;
- create all year round tourist activity;
- take cognisance of environmental impacts;
- demonstrate clear additional benefits.

Network involvement in product development

Product development relates closely to the work of the two national Enterprise Networks. Further work is required to define what the tourism network’s future involvement in this activity should be, recognising that there are linkages to Marketing, Industry Engagement and Strategic Planning.
Adding Value to Visitor Experience

Quality and standards

In recognition of the importance of quality in today’s visitor experience, we will:

- Build on the existing service and expand into new sectors working towards an overall subsidy level of 20% by 2008, as proposed in the Quality Expansion Plan.
- Develop a local quality presence (close to the customer) to support understanding by businesses of QA schemes and reach out to businesses not covered by schemes.

Sales and Information Services

A thorough review of sales and information services has been started. This is covering:

- The proposition that, at every point in the visitor experience (before during and after the visit), the availability and quality of our information services will stimulate a purchase in Scotland.
- A fully integrated, all-channel approach, incorporating web, contact centre and face to face contacts is developed to fulfil this vision. The approach should be flexible enough to fit with alternative methods of delivery.
- An analysis of the performance and potential of each TIC has been commissioned.

This integrated approach cannot be developed in time for it to be fully implemented by the beginning of the 2005 main season. It will therefore be necessary for the network to maintain continuity in managing TIC services during 2005-6. Proposals have been developed to support an interim “business as usual” approach for this transitional year. Although this has identified modest operational savings, it does depend on local authorities continuing to provide sufficient levels of funding to cover TIC network costs.

Managing the Business

Direction, strategy development

VisitScotland will be clear in conveying the direction and strategy of the network to staff, stakeholders and customers. The network will also have an important role to play in shaping the industry strategy, evangelising the ambition of growing tourism by 50% by 2015.

Planning

A performance framework will link organisational, team and personal objectives to ensure that the network maximises its capacity to deliver against agreed objectives. Effective and timely evaluation of our activities will be essential. Progress towards objectives will be regularly communicated to decision makers to help inform business decisions.

Consistent with the Scottish Executive’s requirement for all public bodies to demonstrate best value and continuous improvement, the network will establish and implement an ongoing programme of activity to embed this approach.
Communications

The communications approach is:

- One communications team for tourism, focused on delivering a supportive and robust climate of opinion for the new network.
- One communications strategy and co-ordinated activity across all audiences.
- More focus on delivering messages.
- Flexibility around the network to allow people to work on projects and across borders.
- Better lateral working between consumer and corporate PR activities.
- Clear account management/relationship management role, supported by an effective CRM system.
- A common approach to answering press enquiries.
- A team approach with expertise and knowledge, leading to more creative thinking and effective management of PR campaigns.
- Introduction of a policy unit.

Supporting the business

Human Resources

The network’s human resources activities will concentrate on the following activities:

- Recruitment and selection
- Managing performance
- Reward
- Learning and Development
- Developing, monitoring and implementing policies and procedures

In the short-term activities will focus primarily on the following:

- Supporting the creation of job descriptions
- Overseeing the matching process
- Recruitment and selection
- Managing redundancy
- Providing HR advice

Finance

Finance management offers significant potential for streamlining and efficiency savings in the long term. In the short-term it will be important to focus on “business as usual” in the run up to the closure of 2004-5 accounts to ensure a smooth transition to the new network.
Common services to be consolidated as a single approach include:

- All financial accounting transactions such as supplier and customer invoices, purchase orders, payments, receipts, banking, fixed assets, stock recording etc
- All stock control, retail sales and EPOS activity
- Payroll
- Policy decisions and guidance on areas like financial procedures, travel rules, procurement advice, accounting treatment, banking arrangements, risk management, internal audit, taxation, company secretarial etc.
- Budgets to be created centrally using ACCPAC, with inputs by area offices and departments for detail and phasing

A major dependency for Finance Management is the development of the ACCPAC Finance System. This system aims to provide a single, integrated, platform for the management information we need to support the tourism network. The proposed solution is an established package and will allow a move away from the current reliance on a multitude of bespoke systems and databases, whilst also securing long term support from a single system provider.

There are close ties between the ACCPAC implementation team and those involved in the wider TNS project (indeed many of the implementation team sit on one or more of the TNS project groups).

**Information Technology**

IT plans propose:

- A network wide helpdesk system
- A single network IT resource with a central and local presence
- E-mail integration to a single (visitscotland.com) domain
- Replacement of frame relay network structure to improve effectiveness and reduce costs
- Commitment to provide a stable and secure IT network
- IT purchases co-ordinated through the IT department to ensure system compatibility, product consistency, value for money and control and management of IT budgets.

**Office systems, property management and procurement**

Proposals cover:

- Common procurement of services e.g. stationery, telephones and mobiles, postage, couriers, consumables, copiers, uniforms, cleaning, catering and vending, security, car leasing, car hire, travel booking, legal advice - will be co-ordinated for the whole network with national agreements and contracts but with call-off from individual offices, using E-procurement where possible in line with Scottish Executive policy.
- General administration services will be carried out at each office to continue in line with size and requirements at each office, e.g. reception (receiving visitors, handling calls), mailroom, filing, archiving, secretarial support, supervision of cleaners, car parking, collection and input of time sheets, etc
• Property management and maintenance through a premises team, employing contracted services to handle property sales, lease negotiations, rent reviews, rateable values, sublets, service charges, office design and layout, major repairs or refurbishments etc (with responsibility for minor maintenance carried out locally)
• Office equipment purchase, disposal, inventory, maintenance and lease negotiations support will be provided for the whole network with national agreements and contracts but call-off from individual offices.
• The development of a health & safety policy and procedure will be the domain of the HR function, but input will be given from Office Services in terms of day to day H&S issues, management, fire regulations, first aid, training and this will be co-ordinated through one resource to achieve common standards and a level of competence, while maintaining responsibility for applying the policy at an individual property level.

7 How the network will be managed

Organisational Structure

Principles

• Designing a structure for the new organisation has been driven by the processes that the network will deliver. Project team work has concentrated on analysing existing processes and recommending revised processes. Structures will be founded on this.

• Direction from Ministers on structure is that the network should be a fully integrated, single, organisation able to operate effectively and flexibly at national and local level in line with the changing market.

Senior Management Team

• VisitScotland is currently managed by a senior management team of a Chief Executive and three executive Directors. The integrated organisation will be some three times the size of VisitScotland in terms of employees, and almost double the size in terms of operating budget.

• Integration will add tasks to the organisation not currently carried out by VisitScotland. These include:
  a. An important local management dimension, with the need to manage and co-ordinate area teams;
  b. A greatly increased focus on Industry Engagement;
  c. The sales and information activity (primarily through TICs) inherited from ATBs;
  d. A stronger element of partnership working with other agencies, particularly local authorities, at both local and national levels.
These new tasks will need an enlarged senior management team for the new organisation. More detailed proposals will be discussed with stakeholders before being finally presented to the Executive.

**Structural Options**

We believe that there are three main options for designing an organisation that will manage diverse functions and relationships at national and area levels. These are:

a. A “subsidiary company” model with the local elements managed as autonomous business units within a group structure. This model would not be compatible with the remit to develop a fully integrated network.

b. A management structure where all functions are managed centrally with local delivery entirely under the direction of central managers. This approach does not reflect the needs of tourism in Scotland, where partnerships with local public and private sector interests are important and depend on co-ordination of effort locally.

c. A combination approach, where local teams work to a national agenda, but where the emphasis is on working locally to deliver local priorities, particularly those agreed by area tourism partnerships. Local teams will report to their Area Director in their role in delivering agreed local priorities, with a secondary reporting line to a functional manager for their professional development and to ensure that they play their part in delivering national priorities. **This is the recommended approach.** Again, the detail of how this will work in practice is a matter for further discussion.

**Building the Structure**

Project planning has not yet established a fully detailed staff structure for the network. Process team work has described the job roles that will be required to deliver new processes. Work is continuing to identify the number and grades of posts and to draft detailed job descriptions. The final position on the new structure depends on:

a. Agreement on Senior Management structure – recognising that it would be in the interests of the organisation to involve managers who will be responsible for the new organisation in the design of the detailed staffing structure;

b. Continuing work in clarifying processes to be delivered;

c. The impact of budgets on the affordability of the structure.

The overall project plan is for the structure to be fully detailed by 31 December 2004.

**Budgets**

Network offices will act as cost and revenue centres within the network. They will work to agreed budgets for centrally funded activities, with the budget provision (and, where appropriate, revenue targets) clearly identified as applying to each office. Area Directors will control and be accountable for budget funding provided locally, either through fixed and
cash assets inherited from ATBs (which will be managed for the benefit of the ATB area) or from funding provided by local authorities and others specifically for locally-based activity.

Accounts will be managed on a consolidated basis across the network. Network office activity will be shown on consolidated accounts. They will not normally maintain separate bank accounts.

**Corporate identity**

The recommendation is that the network should be presented under the VisitScotland corporate identity and branding. This will build on the work already done to establish this corporate identity, and will emphasise the goal of establishing ‘one team for tourism’. It would minimise confusion to customers by ensuring a clear and co-ordinated identity.

This does not in any way preclude the development of local branding and identity for marketing purposes, although this will be consistent with a clearly articulated Network approach.
Tourism Network Scotland Project - Meeting of the Project Advisory Board
1 November 2004, VisitScotland, Ravelston Terrace, Edinburgh

NOTES OF MEETING – DRAFT - SUBJECT TO FINAL REVIEW

Present:

Patricia Ferguson MSP, Minister for Tourism, Culture and Sport (Chair)
John Mason, Head of Group Tourism, Culture and Sport, Scottish Executive
Peter Taylor, Townhouse Group / Scottish Tourism Forum
Philip Riddle, Chief Executive, VisitScotland
Robin Shedden, Chairman, Kingdom of Fife Tourist Board
Cllr Willie Dunn, COSLA
Sandy Brady, Director of Strategy, Highlands and Islands Enterprise
Graham McKee, Senior Director of Operations, Scottish Enterprise
John Downie, Scottish Parliamentary Officer, Federation of Small Businesses

In attendance:

David Noble, TNS Project
Siubhan Daly, TNS Project
John Brown, Scottish Executive
Steven Carmichael, Scottish Executive
Callum Stanners, Scottish Executive

Apologies:

Bill Speirs, STUC

1. Patricia Ferguson, Minister for Tourism Culture and Sport, welcomed members of the Project Advisory Board to the meeting. The minutes of the previous meeting were noted and approved. She noted that members had been sent a copy of the Tourism Network Framework Implementation Document the previous week

2. David Noble, the Director of the Tourism Network Scotland project, gave a presentation to the Board outlining the proposals for an integrated network for Scottish tourism, as set out in that document. He emphasised that the project to implement the tourism network is part of a wider ambition to grow tourism revenues by 50% by 2015. An inclusive approach had been taken to developing proposals, with representation from VisitScotland, Area Tourist Boards, Local Authorities, Enterprise networks and tourism businesses on the project teams. An important element of the project has been working with key partners, especially local authorities and trade bodies. At local level throughout the tourism network, there would be:-

- a new approach to industry engagement
- an integrated Sales and Information Service
- a strengthened marketing and Quality Assurance presence
- a new approach to packaging marketing and other products
- Separate platforms for city business tourism in the cities of Glasgow, Edinburgh and Aberdeen jointly owned by the Councils and VisitScotland
• an integrated approach to the provision of essential common services across the network

4. **The Minister** invited comments on the presentation from the Board.

5. **Peter Taylor**, Townhouse Group / Scottish Tourism Forum said that:-
   • he was encouraged by the progress so far.
   • he was largely happy with plans and had no major concerns
   • he recognised that the network project is a mammoth piece of work and the “devil will be in the detail”.
   • there was a need to move ahead to get to the detail and work on ironing this out.
   • the TNS project team must work as fast as possible.

6. **John Downie**, Scottish Parliamentary Officer, Federation of Small Businesses, said that:-
   • he agreed with the comments made by Peter Taylor
   • the project is heading in the right direction
   • he recognised the difficulty involved in merging fifteen bodies into one
   • key issues lie in the detail.
   • he wanted to know how many hubs there would be, and who the Area Directors will be?
   • on industry engagement: we need to reach the parts that we have not reached before.
   • It was crucially important to informing staff effectively and quickly define the role of the organisation.

7. **Graham McKee**, Senior Director of Operations, Scottish Enterprise, said that:-
   • Scottish Enterprise is going through a similar transition and is keen to pass on any learning that might be helpful.
   • There is a need to conclude the discussions around clarifying the respective roles of the enterprise network and VisitScotland.
   • On the role of the business gateways, we must work with and not try to duplicate the services provided by the existing gateways.
   • There are perhaps opportunities for co-location with the enterprise networks which can be explored.
   • There is a large amount of work to be done in a short timeframe.
   • The modernising government agenda had to be kept in mind, with the need for balance between back-office and front-line staff.
   • Scottish Enterprise are keen to be partners in the development of area tourism partnerships.
   • He wondered about the scale of tourism network, and asked why there will be 14 network offices?
   • It was important to have a strong national brand and being part of a family
   • The role of Dundee in business tourism structure needed to be reconsidered
   • He wondered how matrix management will work?
8. **Sandy Brady**, Director of Strategy, Highlands and Islands Enterprise, agreed with the comments from Scottish Enterprise, and asked how:-

- area risks being managed and what are the key risks as the team see them?
- will the network get information to people at below hub level?

9. **Cllr Willie Dunn**, COSLA, said that:-

- The changes made by VisitScotland to the Framework Implementation Document after discussion with COSLA were welcome
- There was a problem in trying to describe the tourism network in a short document which needs to be addressed; the language needs to be consistent.
- He wondered why there had to be 14 hubs? He thought that it would good to have more or less than 14.
- He asked whether there would be 14 or 32 area tourism partnerships?
- He asked what would happen to deficits or surpluses
- There is a need to get strong messages out that ‘this is different’.

10. **Robin Shedden**, Chair, Kingdom of Fife Tourist Board, said that:-

- The ATBs supported the tourism ambition programme and the principles that lie behind it
- How we move forward to achieve it is important.
- The ATBs had been promised consultation, but that had not happened, which has left a feeling that it was not partnership but a take-over of the ATBs
- He would have preferred more time to look at the Framework Implementation document in more detail.
- He was concerned about the use of matrix management, and wondered about how it would work in practice.
- Morale is low among some ATB staff
- Finance for the tourism network is a key concern; there was a need to have a secure basis for funding.
- The network needed to ensure that it didn’t lose its good staff.
- Overall, the ATB network did not feel it had ownership of the proposals and no trust in the process, which would result in lack of buy-in to enable staff to sell it to the industry.

11. **Philip Riddle**, Chief Executive, VisitScotland, said that:-

- The team have done a good job, working in a difficult environment and within a challenging time-scale;
- concerns about the financial viability of the network are shared by VisitScotland, particularly in terms of the likelihood of inheriting a deficit from current ATB operations.
- However, there is a need to press on with it, to get to the detail and resolve the issues.
12. In response to the Board’s questions David Noble made the following comments:

- The project team have put a number of plans in place to ensure there is regular, official communication from the project to staff and stakeholders. For example staff and industry bulletins are issued fortnightly;

- VisitScotland are committed to including an independent element in the process of staff matching and comparability;

- The project team have spoken to colleagues in the Scottish Enterprise Network to learn from their restructuring experience;

- With regards to greater co-operation between Highlands and Islands Enterprise, Scottish Enterprise and VisitScotland, the 3 organisations have agreed to take this forward in the form of a ‘co-operation agreement’ between them. The comment was made that there is a strong expectation from the industry that the Enterprise Networks and VisitScotland will indeed work closer together.

- One objective as to reduce or remove duplication across the network and the project team will be looking at ways of making efficiencies, particularly in the common services area of the business. The comment was made that there is a need to take this opportunity to obtain best value from resources;

- VisitScotland regarded the 14 network offices as the starting point specified by the Executive. The project team is committed to building a flexible network – capable of adjusting to future business needs. The Minister confirmed that guidance on the number of network offices was given as a pre-requisite to the project team by the Executive;

- The project team want to communicate clearly that the tourism network will be one organisation working together as one team for Scottish tourism. The name of the new organisation will be VisitScotland. VisitScotland are keen to support local brands where they make sense to the consumer, but this is a marketing issue, not a corporate identity issue;

- On business tourism in Dundee, the initial interest in setting up a joint convention bureau came from Glasgow and the idea has been developed with Edinburgh and Aberdeen which are the two other large business tourism centres in Scotland. The project team are in discussions with Dundee regarding the establishment of a convention centre, but the proposal is for a regional spread of the network’s business tourism team so areas like Dundee will continue to be promoted;

- The project has an active approach to risk mitigation and containment; a risk policy and a risk register are in place, with a dedicated risk manager;

- With the abolition of membership and the introduction of account management, the tourism network will be less dependent on office locations and geographical boundaries and more focused on making the relationship convenient for tourism businesses;

- The project team are reviewing existing area tourism strategies and looking at best practice from these in suggesting models for use at a local level;

- Both the Minister and VisitScotland have made a commitment that local assets will be ring fenced for local use;

- Staff working in network offices with be cohesive teams reporting to their Area Director, but will also be part of VisitScotland, and their work will
therefore need to align to that organisation. The role of the Area Director is crucial here, and further work is needed to clarify relationships.

14. The Minister asked whether the Board was agreed that the Framework Implementation Document was fit for purpose as a basis for taking the project forward. Further concerns were expressed about moving forward because of the lack of detail available, particularly the lack of financial detail, but the Board agreed that the Framework Implementation Document was fit for purpose.

15. It was suggested and agreed that the document should include an easy to read summary of the proposals, and that a few language inconsistencies should be tidied up. Final comments on the document were invited from the group by lunchtime on Tuesday 2nd November, and the Board agreed that the Framework Implementation Document should be published at the time of the Minister’s statement to Parliament planned for 3 November.

16. The Minister expressed her thanks to the many staff who have been working very hard on getting the new tourism network ready for implementation.

17. The date of the next meeting of the Project Board will be 10 January 2004, to be held in Meridian Court, Glasgow.

Tourism Network Scotland
November 2004
SCOTTISH AREA TOURIST BOARD NETWORK
FOLLOW-UP STATEMENT TO
ENTERPRISE AND CULTURE COMMITTEE

1. Area Tourist Boards thank the Enterprise and Culture Committee for being given the opportunity to give evidence on 22 November. During the evidence session, Committee members requested specific information about shortcomings in the planning and delivery of Tourism Network Scotland Project. Although (as we said during the evidence session) ATBs would rather now look ahead than consider events which have now passed, we also understand that the Committee’s role is to scrutinise matters past as well as present, and so in that context we are willing to provide the information which follows.

2. The Committee will recall that, alongside our strong and continuing doubts about the financial viability of the planned new Scottish Tourism Network, and our resultant fears for the future of services offered to visitors and businesses, we expressed our displeasure at the manner in which ATBs have effectively been excluded from the key planning and decision-making process within the TNS Project since it was set up in Spring 2004.

3. The “official” line given by VisitScotland and the Scottish Executive is that the Project has been driven by consensus and participation and is based on the principles of merger, not takeover. A large number of ATB staff have been members of the various Project working groups and therefore have, in theory, been able to influence the outcomes. Unfortunately, as the specific examples below will demonstrate, the theory does not equate with what is actually happening in reality. We have to say, with regret, that these are only some examples.

4. Engagement of the new Tourism Network with local authorities

This topic has been identified by all concerned as of fundamental importance to the future viability of the new Network. Representatives from both local authorities and ATBs have been frustrated with the processes involved.

In July, the relevant TNS working group drew up a paper articulating various scenarios for local engagement and submitted it to the TNS Office. They were advised that a revised version had been submitted to the VisitScotland Board, but nobody in the group ever saw this and the subject was not progressed in the group.
The group then spent much time considering the content of the vital “Partnership Agreements” to be drawn up between local authorities and VisitScotland. This work was more or less complete by mid August, yet the TNS Office and VisitScotland took until late November to issue this to local authorities and ATBs. It appears likely that Partnership Agreements will not now been in place in most LA areas for 2005-06.

Finally, it is worth noting that the TNS working group dealing with partner engagement did not meet at all during October and November. And yet in these months, plans for the VisitScotland Chairman’s Committee, the National Tourism Convention, the Special Purpose Vehicles for city convention bureaux, and “Area Tourism Partnerships” were all developed and announced by VisitScotland and the Scottish Executive, leaving this working group (ostensibly set up precisely to consider such matters) wondering just what their role really was.

5. Finance

The TNS working group looking at finance issues, chaired by VisitScotland, met only once. The Chair then contacted the group’s members to advise that he had written the report describing the group’s findings. The ATB Finance Directors on the group asked for sight of the report before it was submitted but this request was declined. The group members concerned are very concerned that a report that they have not been allowed to see has been “signed off” with their names affixed – the obvious implication being that it has been endorsed by them, when this is clearly not the case.

6. Marketing

UK and Ireland tourism marketing is an area in which ATBs have particular expertise, but similar circumstances prevailed in the TNS working group examining this topic. The group members from ATBs did not have the opportunity of seeing the finished report before it was submitted in their name. The group members are very “suspicious” (their word) and unhappy about the process. To provide a detailed example of why “suspicion” has been generated: the group above had ten members, five from VS and five from ATBs. They were considering a suggestion that certain niche marketing activities could be devolved, with “hub” staff having an important role. Eight of the group agreed with this suggestion, two (the two most senior VS members) favoured a more centralised approach. It comes as no surprise to discover which argument appears to have won the day.
7. Tourist Information Centres

On 24 November, VisitScotland presented ATB staff with a presentation about the future of TICs and information provision, and were advised that the preferred option was a “re-engineering” of the TIC Network. This recommendation was going forward to the VisitScotland Board for approval on 3 December.

Leaving aside the detail of this proposal (which as an aside, we envisage will cause some difficulty), none of the ATB or local authority staff who participated in the various TNS information services working groups throughout the summer were privy to it, nor were they even given sight of the working papers which might have led to such recommendations being made.

The provision of TICs is of vital importance for visitors and local economies, and the subject large political implications for local authorities and others. Yet these “re-engineering” plans, like so many others in the TNS Project, appear to have been developed under wraps within VisitScotland/TNS Office and presented as a *fait accompli*.

8. Area Convention Bureaux

The manner in which ATB Convention Bureau managers were briefed in late August about the future structure of business tourism was wholly unacceptable. These managers were effectively summoned, in separate small groups, to meetings hosted by VisitScotland. They expected to participate in a broad discussion about ideas for the future, but instead were presented with a future structure for business tourism in Scotland. This included a chart featuring staff posts – none of which were “Area Convention Bureau managers” or equivalent. The clear impression given at each of the meetings was that this organisation and staff structure had been decided, and there was little or no opportunity provided at the time for the area bureau managers to react or ask questions. They were then despatched with the injunction “don’t tell your Chief Executives about this”.

This all caused considerable concern and some personal distress: (a) the structure was not (allegedly) determined at that stage and should not have been presented as such; (b) in any event, it should not have been presented to these individuals without prior warning; (c) it was supposed to be a “given” of the TNS Project that staff structures should not be included at the first stage of reorganisation suggestions; and (d) it was adding insult to injury to then ask those involved to keep the proposals secret.
9. ATBs could perhaps be criticised for not having brought these concerns to wider attention earlier in the day. However, whilst individual concerns were occasionally raised, the “silo” nature of each of the project working groups meant that the group members rarely if ever shared notes, and it was not until autumn that we began to become aware of how much dissatisfaction existed. Even then, most of the ATB staff concerned, with understandable concerns about their future jobs within the new structure, felt unable to raise their concerns on the record. Comments such as “I don’t want to be seen as a troublemaker”, “I’ve got a mortgage to pay” and “I don’t want to rock the boat” continue to be made.

10. One aspect that Committee members might like to investigate is that in late September, the TNS Project carried out a survey of its working group members, to ascertain their level of satisfaction with the processes. We believe that (largely because individuals’ confidentiality was assured) a large number of critical remarks were made by team members. However, the survey results have not been published and it might be instructive (albeit belatedly) if this did now happen. Many working group members have commented privately on the apparent preoccupation with process, with hours of meetings spent ticking boxes and drawing up “risk registers” rather than actually addressing the issues and delivering solutions.

11. The TNS project has not been all bad! Some of the working groups have adopted an excellent collaborative, information-sharing and consensus-driven approach, whereby ideas and documents have been drafted in an iterative process which involves everyone at each step. Nobody expects to win every argument, but members of these groups believe that at least their views were listened to and afforded respect. We cannot help but note that the Chairs of these groups were ATB rather than VisitScotland officials, perhaps underlining the gulf in corporate culture and ethos which exists between ATBs and VS.

12. In brief summary, it is our firm opinion that despite the outward appearance that over 120 people from ATBs, local authorities and the enterprise networks were involved in planning the new Scottish Tourism Network, and despite VisitScotland’s and the Scottish Executive’s stated commitment to openness and collaboration, in practice the key decisions have been - and continue to be – taken by a few key individuals behind closed doors, and all too often “on the hoof” rather than in a considered manner. It is this secrecy and apparent lack of trust in ATBs more than anything else which has fuelled the persisting belief around the country amongst ATBs, local authorities and tourism businesses that – despite claims to the contrary – this is indeed “takeover” and not “merger”.
13. Thank you for providing ATBs with this further opportunity to comment, and we apologise if some of the foregoing is – of necessity – rather detailed. We hope it will prove helpful.

ROBIN SHEDDEN
CHAIR, SCOTTISH AREA TOURIST BOARD NETWORK
1 DECEMBER 2004
Enterprise and Culture Committee

Meeting 7 December 2004

Further and Higher Education (Scotland) Bill

Follow Up Information

During its Stage 1 Scrutiny of the Further and Higher Education (Scotland) Bill, the Committee requested several witnesses and organisations to provide follow up information on the evidence they had given.

Please find attached follow up information from:

(a) Association of Scottish Colleges (ASC)

(b) Association of University Teachers (AUT)

(c) Educational Institute of Scotland (EIS)

(d) National Union of Students (NUS) Scotland – also attaching information from Skill Scotland (the National Bureau for Students with Disabilities)

(e) Universities Scotland

(f) Scottish Executive

(g) SPICe briefing note (Bidar Case)

Judith Evans
Acting Clerk
2 December 2004

Alex Neil MSP
Convenor
Enterprise and Culture Committee
Scottish Parliament
Edinburgh
EH99 1SP

Dear Alex

At our evidence session to the Enterprise and Culture Committee on 2 November we undertook to provide the Committee with written comments earlier evidence on audit arrangements in the further education sector.

Our response is attached. We are happy for this to be placed in the public domain.

Apologies for the delay in responding. As our response makes clear, this is an area in which a great deal is happening or proposed.

We hope this is helpful. If you require any further information please get in touch.

Yours sincerely

TOM KELLY
Chief Executive
AUDIT ARRANGEMENTS AND QUALITY ASSURANCE IN FURTHER EDUCATION SECTOR

FOLLOW-UP RESPONSE BY THE ASSOCIATION OF SCOTTISH COLLEGES

Introduction

Colleges are subject to a wide range of audit processes for both their finances and quality of provision. Accountability and high standards are expected of colleges and delivered by them. There are issues, however, of duplication, complexity and excess of burdens which have been addressed in part but need further progress.

1. Audit and monitoring of college finances

All colleges have high standards and good systems of financial record keeping, and monitoring, and audit. This includes:

- External audit of colleges’ annual financial accounts by the Auditor General for Scotland (AGS) who lays the audited accounts before the Scottish Parliament under the terms of the Public and Finance Accountability Act 2000 (the PFA Act).
- Application of the Accounts Direction and a Financial Memorandum with the Scottish Further Education Funding Council; and
- Application of national accounting standards appropriate or applied to the colleges

Current concerns about these arrangements include:

- The possibility that colleges may be required to produce alternative annual financial statements for the new Scottish Charities Commissioner;
- Introduction of new requirements for disclosure, presentation of financial information, or scope of accounts by external auditors after the financial year has ended; and
- Rapidly increasing charges for external audit out of line with inflation and colleges’ administrative costs

2. Quality of teaching and learning

The external review of the quality of college teaching and learning is undertaken by Her Majesty’s Inspectorate of Education (HMIE), under contract to SFEFC. This review cycle is undertaken every 4 years and involves HMIE undertaking in every college a college (institutional level)
review and subject (course level) review that ensures that college provision of teaching and learning is of an acceptable standard.

These reports are then published openly and made available for scrutiny by interested observers and the general public. The recent cycle of HMIE reports, over the last four years, has demonstrated the high standards of colleges’ provision. The new review cycle that will run from 2004-08 does introduce a ‘lighter touch’ and reduced audit burden on the basis of track record of quality assurance and enhancement.

ASC accepts the need for the teaching and learning provision of colleges to be externally reviewed and validated. The recent cycle of HMIE reports has demonstrated the progress that colleges have made over the last 4 years. ASC supports the key objective of quality enhancement and reliance on sound, established, self-evaluation within colleges. It is the quality “culture” within colleges that is the main safeguard.

In addition colleges are subject to many other quality regimes with regard to the non-SFEFC work that they undertake. This includes:

- Audit by SQMS (Scottish Quality Management System) which is undertaken on behalf of the Enterprise networks as a condition of contracts for all LEC funded training delivered by colleges;
- Institutional accreditation, programme validation and moderation of assessment by the Scottish Qualifications Authority;
- Specialist technical or professional requirements of other awarding bodies; and
- Established standards for staff development such as Investors in People.

Each of the many external assurance and accreditation processes may involve:

- Requests for additional documentation or records; and
- Inspection of facilities and sometimes teaching

Since 1997 ASC has sought simplification and reduction of these substantial burdens – and their associated costs for colleges – by convergence of requirements. The key principles are that:

- Records, evidence and accreditation for one purpose and regulator should be accepted and used by others;
- Site visits and inspections should be synchronised to avoid unnecessary repetition or inspection overload at any point in time; and
- Regulation should become progressively "lighter touch" as colleges’ own processes of self-evaluation and quality enhancement develop further
Some progress has been made. For example, the Convergence Steering Group of SFEFC (set up in 2000) has established credit transfer from HMIE inspection for all but one of the 10 components of SQMS accreditation. Health and Safety is now the only element of SQMS which requires separate auditing.

There is further work to be done. The Convergence Steering Group is currently looking at the overlap between SQA and HMIE to see if their respective assurance arrangements can be rationalised. ASC supports this work and hopes to see much wider acceptance of “accredited centre” status as evidence of effective, robust quality assurance.

**Merger Bill**

ASC welcomes the proposal in the Bill for a “duty to secure that provision made for assessing and enhancing the quality of fundable further education and higher education”. This extends to colleges the statutory requirement of the 1992 legislation previously applicable only to universities and other HEIs.

There is some overlap in respect of elements of courses which count both toward SQA awards and as credits for degree courses overseen by degree awarding institutions and Quality Assurance Agency (QAA).

ASC wishes to see increasing convergence between the sectors in respect of:

- Institutional autonomy and responsibility in academic matters
- Streamlining of requirements for data, records, and inspection
- Increasing priority for quality enhancement once regular, robust quality assurance is proven

This work will also contribute to meeting the priorities of the “Efficient Government” initiative in reducing backroom costs, and concentrating more of available resources on front end delivery.

**Conclusion**

There has been some progress in streamlining the many overlapping requirements on colleges. Further work is needed, however, to achieve greater cost-effectiveness and clearer evidence for users and the wider public.

ASC Executive
November 2004
Addendum on the Further and Higher Education Bill.

Follow-up evidence to the Enterprise and Culture Committee

1 Preamble
1.1 We welcome the opportunity to further comment on the Further and Higher Education (Scotland) Bill to clarify issues raised in our oral evidence to the Enterprise and Culture Committee.

2 Academic Freedom
2.1 Section 8 (12) prevents Scottish Ministers from framing terms and conditions in reference to programmes of learning or courses of education and research. This welcome provision recognises the advantages of maintaining and extending to FE colleges what may best be termed ‘institutional academic autonomy’.

2.2 The Policy Memorandum describes this as the ‘academic freedom’ of institutions.

2.3 However, for academic staff, a more important freedom is individual academic freedom. That is what allows new ideas to be researched, advocated and published against existing orthodoxies, however inconvenient for the academic hierarchy or for funders – such as industrial research sponsors whose commercial interests might be threatened by research findings or adverse academic argument. At the institutional level, academic autonomy might be used to suppress rather than promote individual academic freedom.

2.4 Academic freedom is defined (but only for the eight pre 1992 Universities in Scotland and for the Open University in Scotland) in the Education Reform Act 1988, Section 202 (2). Institutions that did not have university status in 1988 may in practice respect the individual academic freedom of their staff but this is not guaranteed or underpinned by legislation.

2.5 Borrowing the relevant wording from the Education Reform Act 1988, it would be feasible to extend the principle of academic freedom to embrace all universities and FE colleges, by adding to Section 7 (2) (c) a new subsection: ‘procedures to ensure that academic staff employed by the body have freedom within the law to question and test received wisdom, and to put forward new ideas and controversial or unpopular opinions, without placing themselves in jeopardy of losing their jobs or privileges they may have at the body’

2.6 This might be numbered (i) with existing (i) renumbered (j).

2.7 How this would work in practice
The above approach avoids a more direct and bureaucratic intervention – such as the appointment of University Commissioners, who were tasked with the
development of procedures under the Education Reform Act 1988. In line with the overall approach of the Bill, including Section 7 (2) (c), the above wording simply makes academic freedom one of a list of desirable features. The new funding council will then be obliged to have regard to the desirability of ensuring that there are suitable procedures and arrangements in every fundable body covering this list. The Council would have to take into account, inter alia, whether there are suitable procedures to ensure academic freedom, when considering whether or not to propose to Ministers that any new body is admitted to the list of fundable bodies or to remove any body from the list.

2.8 In practice, therefore, this would work in the following way:

- Any body seeking admission to the list of fundable bodies would be expected to demonstrate to the Council that, inter alia, it has suitable procedures to ensure academic staff have individual academic freedom.

- Existing HEIs and FE colleges already listed as fundable bodies would need to be questioned by the Council to establish whether suitable procedures were already in place and, if not, encouraged to introduce such procedures. The legislation would create an onus on the Council to ensure that there are suitable procedures in all fundable bodies. As to what constitutes ‘suitable’ procedures, the Council would of course be able to look at existing practice in pre 1992 Universities as a point of reference and would be able to consult stakeholders, both employers and trades unions representing the staff concerned.

2.9 Extent of staff coverage under ‘academic freedom’

This question may merit some debate. In the pre-1992 universities, each University has an internal definition of ‘academic staff’ and the coverage varies. For example, in some cases research staff and staff employed on academic related salary scales are defined as academic staff, in other cases only lecturers, senior lecturers and Professors. It would be much preferable to have the widest possible definition. Essentially, any and all staff who might engage, even incidentally, in any research, teaching or publishing activity, need to feel free to research, develop, teach and publish new and controversial ideas without fear of disciplinary or other sanctions. It is fairly obvious that research staff require academic freedom, as well as teaching staff. The extensive use of insecure fixed term contracts makes legislative protection of the right to research and publish free from fear of reprisals more rather than less necessary. However, in the university environment, with teamwork involving wider groups of professional staff, there are likely to be others – including, for example, administrators, library staff, technicians – who have some need of academic freedom protection.

2.10 It is at least worth considering whether the word ‘academic’ might be deleted, so that all staff in fundable bodies have academic freedom. It is understood that the main campus unions would be likely to support this.

2.11 The detail may of course be left to the Council, who ultimately will need to consider what procedures are ‘suitable’. However, if the statute says ‘staff’ as
opposed to ‘academic staff’, the Council would be guided to expect wider coverage of any institutional procedures.

2.12 If it is not possible to include all ‘staff’, it would still be best to avoid use of the term ‘academic staff’ which implies that a definition of coverage under that heading would be required, possibly differing- as at present in the pre 1992 universities- from place to place. It would be better for the wording of the Statute itself to be crystal clear, for example use of the phrase ‘procedures to ensure that staff employed by the body, any part of whose work includes teaching, research or publishing’ would extend academic freedom to all those who, in practice, most require it. [A further possible variant, taking into account that not all workers are employees and that employers may sometimes seek to use self-employed status as a mechanism for avoiding employment rights, would be to say ‘all persons who work for that body’ in place of ‘staff employed by the body’.]

2.13 **Additional reference to academic freedom**

It may also be helpful to include a free standing clause on academic freedom, by inserting a new clause 26A:

‘Any employee of a fundable body shall be entitled to question and test received wisdom, and to put forward new ideas and controversial or unpopular opinions.’

2.14 **Other considerations to be distinguished**

It is important to note that academic freedom is distinct from and an additional protection to that provided for public interest disclosures (‘whistleblowing’) which applies to all workers.

2.15 It is also important to understand that academic freedom does not allow unlawful activity under the guise of academic publication. The concept is freedom ‘within the law’.

3 **Funding convergence**

3.1 The current model of funding for HE has worked well for the vast majority of HEIs and students. It should not be changed drastically as a result of the merger or for the sake of individual institutions which do not fit into the overall pattern. Exceptional cases should instead be considered on an individual basis.

3.2 Although HN provision and the first two years of degree provision are notionally at the same level we believe there are fundamental differences in the provision. Firstly HN courses are an end in themselves whereas first years of degrees are preparing students for higher level study. Degrees are predominately undertaken at universities where there is access to staff who undertake research and scholarship and hence have a deep understanding of their subject. Universities only undertake higher education provision whereas further education colleges undertake mixed provision and their main mission is further education provision. Universities tend to operate in a worldwide market while colleges tend to serve their local communities.
3.3 Although we do agree that the dividing lines between further and higher education are blurred, with a significant proportion of HE undertaken in further education colleges (FECs), we do not believe funding should be totally driven by level of course. Indeed if this were to be carried through to its logical conclusion, it would increase the funding of HEIs to the detriment of FECs as all higher level HE takes place in HEIs, whereas the HE provision in FECs is below degree level. Funding by level would inevitably cause mission drift as institutions attempted to maximise the more lucrative provision. Universities would completely reduce their Higher National provision and colleges would attempt to increase this provision at the expense of their main role of providing further education (FE). We believe the present system works well and in cases where an institution undertakes a majority of HE provision, it should apply for the HE designation that Bell College recently obtained.

3.4 Hence we believe the differences between colleges and universities and the provision they provide implies that a total convergence of funding by level may not be appropriate.

3.5 For the reasons stated above we also believe that the Ministerial guidance should divide funding by institution rather than course or level. However, we recognise that this would depend on the funding scheme developed by the new funding council.

4  Recommend amendments

4.1 We recommend that the following amendments should be made to the bill, the first two of which are relatively simple to incorporate.

1. Academic freedom

We believe that it should be a simple matter to add individual academic freedom to this bill and that it falls within the remit of the long title of the bill as it is a concern for the provision relating to bodies which provide further and higher education or connected purposes.

2. Consultations and collaboration

Staff and students should be considered as stakeholders in consultations over merger proposals. Hence the recognised unions and student bodies should be added to the list in section 22(4) of the Bill.

3. Powers of the Council

We are concerned that institutions have not adequately enacted Ministerial guidance and we would wish to see increased powers for the council in ensuring that public money is used in accordance with the wishes of Ministers. This is explained in detail in section five of our written evidence to the Enterprise and Culture Committee. However, this maybe a complicated amendment to apply in practise and it is unclear if the Council will have the power to impose financial penalties in any case.
4. Fee levels

We would prefer another method to alleviate cross border flows than a differential fee for some courses that attract a disproportionate number of other UK students. Hence we believe that the clauses in section 8 that refer to the setting of differential fees for certain subjects should be deleted.

4.2 For further information please contact: Dr Tony Axon Research Officer, AUT, 6 Castle St. Edinburgh EH2 3AT; tony.axon@aut.org.uk or 0131 226 6699.
Educational Institute of Scotland

Follow-up information for the Enterprise and Culture Committee

The Enterprise and Culture Committee took evidence from the EIS at its meeting on Tuesday 9 November 2004 during which some additional information was requested. The following sets out the EIS position on the relevant areas:

1. Views on academic freedom for individuals in relation to the provisions in the Bill.

The EIS believes there should be a general duty on the new Council to ensure all Scottish Higher Education Institutions and Further Education Colleges provide for the academic freedom of individuals as set out in the Education Reform Act of 1988. The EIS suggests the terms of the Education Reform Act of 1988 “academic staff have freedom within the law to question and test received wisdom and put forward new ideas and controversial or unpopular opinions without placing themselves in jeopardy of losing their jobs” should have transferred to the Further & Higher Education (Scotland) Act 1992 in order for academics employed outwith the pre 1992 sector to benefit from the provision. The EIS would ask the Committee to seek an amendment to the Further and Higher Education (Scotland) Act 1992 which provides the protection of academic freedom as exists for staff in Scottish pre-1992 HEI’s as set out in the Education Reform Act of 1988.

2. Views on the potential for longer-term convergence of funding methods in further and higher education.

The EIS believes the new Council should fund provision by level which would ensure that higher education provision, irrespective of where it is delivered, is funded at the same rate. However, changing any funding methodology can be problematic and the EIS would look to the new Council to ensure that no sector was disadvantaged as a consequence of changes to funding methodology. Convergence of funding methods should be sensitively handled and phased in over a sensible time scale.

3. Views on progress on implementing existing FE governance guidelines, and on current prohibitions relating to elected councillors as chairs of governing bodies.

The EIS was disappointed that the review of Governance and Accountability in the Further Education Sector did not lead to substantial change in the way the sector is managed. The EIS has long been of the view that the FE sector needs a joint negotiating committee for staff similar to that which exists for teachers and higher education lecturers. Parity of esteem for those working in further education will never be established if left to wishes of College Principals. The £4,000 discrepancy in pay that exists between the top of the FE lecturer scale and the top of the HE lecturer scale must be tackled if genuine parity of esteem is to be established and a tertiary model emerge in Scotland. The disparity of over £4,000 at the top of the FE lecturer scale in the highest and lowest paid colleges is a result of incorporation and the drive by independent colleges to drive down salary levels. If
Scotland is to continue to expect high quality provision for those working in the FE sector, it is time to bring salary levels in line with those like professionals in schools and higher education. The EIS would look to the Committee to recommend the establishment of a national body with responsibility for reviewing and recommending on matters as salaries, staff recruitment and retention, course provision, collaborative initiatives, etc. as a means of ensuring the FE sector is delivering best practice and best value for public resources.

On the specific matter of college governance the EIS would expect the new Council to have a general duty to ensure the following recommendations of the review of governance are minimum requirements for each college and to introduce a means of monitoring same:

- Board membership restricted to a maximum of 8 years,
- Appointments processes followed by all college Boards are consistent and follow good practice in public appointments,
- Make greater use of powers to co-opt individuals with specialist skills and expertise;
- Better utilise the public spiritedness and expertise of Board applicants by looking at the scope to encourage unsuccessful applicants to offer their skills to another college,
- Encourage college Boards to achieve a more diverse and representative balance of membership, taking account of gender, race, age and disability,
- Introduce a national training programme,
- Examine training arrangements for Clerks to Boards, ensuring the role and responsibilities are defined,
- What role the Council should have in appointments of the college’s Accountable Officer,
- Compulsory training for Accountable Officers.

Finally, the EIS has never supported the restriction which prevents councillors and council employees being appointed to the Chair of an FE college board and totally supports its complete removal. The EIS believes the last period has shown the folly of reliance on private sector principles as the driving force for change within the FE sector and believes this must be replaced by the ethos of public service. It is vital for all board members, not just staff representative members, to understand the culture and ethos of further education and the requirements placed on colleges to follow ministerial guidance and respond to specific initiatives, particularly the educational and staffing resource implications of new curricular activity. The EIS believes that Councillors and council employees would bring an enhanced appreciation of public sector funding and local community understanding to college boards.

4. **Clarification on comments regarding adherence to Nolan principles in appointments to boards of managers and/or governors in further and higher education.**

Ideally the EIS would like to see the public appointments system extended to all HEIs and FECs in Scotland but realises that institutions would perhaps find this difficult to accept and inconsistent with their understanding of institutional autonomy. However, the EIS believes that as HEIs and FECs receive the majority of their funding from the public purse, it would not be unreasonable for Chairs of boards of managements and governing bodies to be appointed through the public appointments system.
In conclusion, the EIS recently responded to the Scottish Executive’s consultation “Implementation of Measures Resulting from the Review of Governance and Accountability in the FE Sector: Proposed Changes to FE College Boards of Management”, the full text is attached for consideration by the Committee.
The Educational Institute of Scotland – Further Education Lecturers’ Association (EIS-FELA)

Response to the Scottish Executive Consultation Paper
“Implementation of Measures Resulting from the Review of Governance and Accountability in the FE Sector: Proposed Changes to FE College Boards of Management”

1. Introduction

The Educational Institute of Scotland welcomes this consultation. The Executive will be aware that the EIS is the sole lecturers’ union in FE in Scotland, with over 95% of all lecturers in membership.

The EIS believes that the self-governance of FE Colleges provided for by the Further and Higher Education (Scotland) Act of 1992 has failed. One reason for this is that too many colleges now find themselves providing a vital public service while attempting to cope with extreme financial difficulties. The EIS believes that this poor financial situation stems from the funding basis of incorporation, which promoted deficit management as the norm and allowed deficits to grow. Without specific resources to eradicate those historical deficits, any attempts to regulate the sector are unlikely to be successful.

It is a matter of record that the Further Education sector has among the worst record of industrial relations and industrial unrest in the public sector in Scotland. While accepting that this situation relates in part to problems arising from historical funding deficits, the EIS believes it also clearly indicates poor personnel and financial management on the part of those Principals and Board members charged with these very important functions. The Executive will be familiar with the many critical situations which have developed during the past few years where two colleges have required direct intervention and many more have received specific cash injections to keep afloat. Many good lecturers up to and including Head of Department have been lost to the sector as colleges have sought the “quick fix” to funding difficulties through “restructuring” – a term which has become a euphemism among college staff for redundancy and early retirement. It is, therefore, the view of the EIS that the continued atomisation of the further education sector through individually managed colleges is not in the best interests of students, staff or the public purse. The Executive must give serious consideration to bringing the entire FE sector under the direct control of the Scottish Executive in order to ensure FE colleges are appropriately funded, managed and staffed to respond to the Executive’s widening participation agenda and the skills requirements of a growing economy. The EIS does acknowledge that the Scottish Executive has attempted to get to grips with the governance and accountability challenges in FE Colleges and while the package of measures announced following the 2002 review of Governance and Accountability in FE was disappointing, the measures do go some way to setting standards and criteria for appointments to College Boards for the future. However, the EIS believes there is one additional area requiring immediate
guidance and that is a common sector wide procedure for replacing a staff board member who may for a variety of reasons, death, retirement or withdrawal leave the Board.

The EIS acknowledges the limited scope of this consultation and is happy to provide answers to the questions raised.

2. **Against what criteria should applications for an extension to the 8 year rule be considered?**

The EIS does not believe there should be any consideration of extending the 8 year rule for Board members of FE Colleges that are appointed to serve. However, the EIS believes elected staff representatives should continue to serve for as long as they enjoy the support of their colleagues and, of course, satisfy the necessary democratic election procedures. Colleges should be vibrant and stimulating places of learning, and must be able to attract board members genuinely representative of the local community which they serve. The EIS supports the Scottish Executive wish to see FE college boards of management achieve a more diverse and representative balance of membership, taking account of gender, race, age and disability. The EIS does not share the view, usually expressed by current board members, that expertise could be lost to the sector if the 8 year rule is not relaxed. The EIS believes the relationship developed between SFEFC and the FE sector has led to a more secure planning regime and it is therefore unlikely that exceptional or unforeseen circumstances arise that would necessitate an extension to the 8 year rule of any member of the board of management. Past experience in the sector would also suggest that if such “exceptional” arrangements were provided for they would quickly become the norm in many colleges. The EIS believes the appointment and re-appointment procedures must be rigorously applied if confidence in the sector’s ability to self-manage is to be maintained. The EIS also believes the powers to co-opt individuals with specialist skills and expertise are underutilised by the sector, making greater use of this provision should ensure any exceptional and unforeseen circumstances is adequately managed.

3. **Do you agree with the complete removal of the current restriction which prevents councillors and council employees being appointed to the Chair of an FE college board?**

The EIS has never supported the restriction which prevents councillors and council employees being appointed to the Chair of an FE college board and totally supports its complete removal. The EIS believes the last period has shown the folly of reliance on private sector principles as the driving force for change within the FE sector and believes this must be replaced by the ethos of public service. It is vital for all board members, not just staff representative members, to understand the culture and ethos of further education and the requirements placed on colleges to follow ministerial guidance and respond to specific initiatives, particularly the educational and staffing resource implications of new curricular activity. The EIS believes that Councillors and Council employees would bring an enhanced appreciation of public sector funding and local community understanding to college boards.

4. **Conclusion**
Pay determination is the single most demanding and costly management undertaking each college must engage in annually. The EIS believes there is value in removing such an acrimonious element of local management decision-making to a national collective body, charged with the responsibility of setting pay levels and core conditions for all staff grades within FE colleges in Scotland. It is completely untenable for such a vital link in the educational chain in Scotland to be the only sector which does not benefit from a collective/partnership approach to pay and conditions determination. Staff in FE look with envy on their colleagues in schools and the Scottish Negotiating Committee for Teachers (SNCT) established to resolve salaries and related post-McCrone conditions, without recourse to industrial unrest. Similarly, colleagues in higher education are now two years into a new UK wide national partnership arrangement which determines pay and conditions for all staff in this sector as well as issuing joint guidance to the sector on a range of employment related issues, such as equal pay audits and dealing with the requirements of legislation on fixed-term contracts. The Joint Negotiating Committee for Higher Education Staff (JNCHES) is responsible for the introduction of a new national pay scale for all staff in the higher education sector, across the UK.

Similar arrangements for the FE sector in Scotland are long overdue. The EIS believes the Executive should seek to learn from the modernising arrangements in determining salaries and conditions of employment which have ensured industrial stability for both the school and higher education sectors, and begin to tackle the volatile, destabilising, unproductive and costly scenario in the FE sector. Unless and until pay determination for the FE sector is returned to some form of national determination, the EIS believes no amount of changes to the compilation of boards of management will provide the industrial stability the sector deserves.
26 November 2004

Seán Wixted  
Assistant Clerk  
Enterprise and Culture Committee  
Committee Office, Room T3.40  
The Scottish Parliament  
Holyrood  
Edinburgh. EH99 1SP

Dear Seán

**Re: Follow up evidence to the Enterprise and Culture Committee**

I am pleased to enclose a copy of our recent submission to the Scottish Executive’s consultation on Medical Tuition Fees, which contains our alternative proposals for dealing with the issue of recruitment and retention of medical students.

Also enclosed is a one-page summary of our concerns regarding the definition of persons with learning difficulties within Section 12 of the Further and Higher Education (Scotland) Bill.

I would like to thank the Committee for the opportunity to give oral evidence and this subsequent follow up evidence from the session.

Regards  
Melanie Ward  
President, NUS Scotland
NUS Scotland response to the Scottish Executive Consultation on Medical Tuition Fees

October 2004
NUS Scotland

NUS Scotland is a federation of local student organisations in Scotland, comprising over 60 local campus student organisations that are affiliated to the National Union of Students of the United Kingdom (NUS). NUS Scotland is an autonomous, but integral, part of the National Union of Students. The students' associations in membership of NUS Scotland account for 76% of students in higher education in Scotland and over 90% of students in further education in Scotland.

Students' associations affiliated to NUS retain autonomy over all policy areas, and may choose to make individual students' association submissions based on local policy. NUS Scotland operates a democratic forum for policy and debate on national issues affecting students and NUS Scotland's role is to reflect the collective position.
1. Precis

NUS Scotland welcomes the opportunity to participate in this consultation, and to contribute more broadly to the ongoing debate surrounding how best to fund Further and Higher Education in Scotland. In keeping with the spirit in which the consultation is requested, we comment herein firstly on the general principles, and secondly on the practicalities of the measure as outlined. Finally, we offer alternative approaches that may, in our view, be more effective. We see this issue as a clear point of principle, and have decided to keep our response concise on this basis. It is of some concern that although this consultation has not been completed, measures relating to differential fees for medicine have been included in the recently introduced Further and Higher Education (Scotland) Bill. We would remind the Executive of their commitment “not to support the introduction of top-up tuition fees”, and question whether this proposal is consistent with that principle.

2. Principle

NUS Scotland opposes the introduction of any form of differential tuition fee. Fundamental to our policy is that we should put in place a funding system that is fair and equitable, regardless of a student's nationality or career aspirations. We believe that promoting access to, and diversity within, Higher Education should be a priority.

Higher costs, in terms of both fees and debt, inevitably contribute to the fear that study will prove unaffordable in the long term. The introduction of higher, differential fees for medical students would primarily have the effect of discouraging net applications, especially from poorer students; this is not in our view the right first step in solving a recruitment shortfall within the medical profession in Scotland.

NUS Scotland is disappointed that Scottish Executive has sought to address this issue without sufficient experience of how English medical students will affect the situation in practice. The Higher Education Review (Phase 3) concluded that the Scottish Executive would “monitor the demand for medical and related subjects within Scottish HEI’s and if, over time, there is a distortion of current student flows, ensure that Scottish students... do not find it harder to enter such professional areas.” There simply has not been enough time operating under the status quo to know if there will be a distortion; the measure appears to be overly zealous when seen in this context.

NUS Scotland believes that it is wrong to believe that introducing such a negative measure (to be applied when an individual begins or concludes their training) would be as productive as introducing genuine incentives to actually practice medicine in Scotland, which is the root of the problem. We believe there are a range of suitable incentives that have not been properly considered, and will take this opportunity to propose a range of alternatives.

In summary, we believe the Scottish Executive's reaction to variable fees in England has so far been fair in terms of keeping a flat level fee and rejecting a market-based system. To accept that the principle of variable or differential fees is wrong, divisive and exclusive for every course in Scotland except medicine leaves us confused as to the Scottish Executive's true beliefs, and we find it very disappointing.
3. Practicalities

NUS Scotland believes there are numerous practical difficulties inherent in the measure proposed:

1. Stopping rises in the number of English students attending Scottish medical schools will not help Scottish students from poorer backgrounds. They will face exactly the same barriers as currently - including cost, inadequate financial support, burden of student debt, length of the course, and so on. The Higher Education Review (Phase 3) concluded that students from private schools are much more likely to study medicine than those from state schools, largely due to these factors.

2. The measure does nothing to address the needlessly exclusive requirements to study medicine, in terms of achievement at Higher level. A Scottish student will need to achieve five Highers at S5, rather than five Highers across the whole programme. This excludes many capable students who would have applied from secondary schools that are not currently able to deliver this framework.

3. During the Higher Education Review (Phase 3) process, it was argued that it is mostly wealthy students that study cross-border. Wealthy Scottish students can go to England, and won’t be much put off by the fees; wealthy English students can study in Scotland because the extra year adds to the costs. This was, of course, mainly anecdotal, and doesn’t appear in the report. If, however, it is true, it means that increasing fees for medical courses in Scotland will not make any difference to the students coming to Scotland, because they are already well off and will not be put off by increases in fees. Wealthier students are more likely to see the chance of taking medicine, whether in Scotland or the rest of the UK, as more important than the cost of the course.

4. Fees are proposed to be increased to an average of the cost in England; this will mean that fees for medical courses in Scotland will equal, not exceed, levels in England. Scotland is, by and large, no more expensive to live in as a student than England. Scottish medical courses are no longer than those in England. Therefore, the cost of a medical course in Scotland for a student from the rest of the UK, will be at most equal to the cost of the same course in Scotland. The measure will not have the desired effect of preventing outflow of students from the rest of the UK after concluding medical training in Scotland.

5. The numbers of Scottish students will not increase. Fees for student from the rest of the UK will not mean that there will be more Scottish students studying medicine, and will not address recruitment or retention of medical practitioners. At best, it will maintain the status quo, which is widely recognised as being flawed.

6. The relative deterrent value of increasing medical fees beyond the flat rate is insignificant compared to the dangers inherent in introducing variable fees to Scotland, with its concomitant risks of future increases in other fees for other subjects.
4. Alternative Proposals

NUS Scotland would like to take this opportunity to propose alternatives to introducing fees that we believe are more likely to both address the student flows concern and improve the underlying problem surrounding recruitment and retention of medical practitioners.

1. Financial incentives could be offered to all students, whether from Scotland or the rest of the UK, to study medicine in Scotland, provided that they practice in Scotland for a defined period of time at the conclusion of their training.

2. Financial incentives could be offered to students domiciled in Scotland only, in order to maximise recruitment of medical students from within Scotland relative to applicants from the rest of the UK.

3. Institutions should be encouraged to relax the overly stringent academic entry requirements for medical courses, and consider alternative entry criteria, in order to maximise applications from Scottish students. Alternatively, an “access to medicine” foundation course could be provided for those students who obtained excellent Highers, but not entirely at S5.

4. Special attention should be paid to potential medical students as part of existing schemes for widening participation, especially active mentoring of talented students from disadvantaged backgrounds.

5. The Scottish Executive should take steps to provide incentives for medical practitioners to remain in practice within NHS Scotland.

NUS Scotland thanks the Scottish Executive for considering our response to this consultation. We hope to discuss the issues raised with representatives of the Scottish Executive in the near future.

Submitted by and on behalf of the Scottish Executive Committee
October 2004
Persons with learning difficulties

Section 12 of the Further and Higher Education (Scotland) Bill

NUS Scotland believes that the term ‘learning difficulty’ as defined in section 12 of the Bill is very narrow and excludes many people who do not have any difficulty in learning if they have the additional support that they need. ‘Learning difficulty’ does not reflect the whole spectrum of different needs that learners may have that can lead to barriers to education if not provided for. To use a person’s age as a point of reference to establish a learning difficulty and the support to be given is not appropriate in lifelong learning, which includes people of all ages. In addition, this term takes a backward step from the Disability Discrimination Act that requires aids and services to be provided for disabled students if they are disadvantaged – disabled students encompass a much broader group of students than those with learning difficulties.

The Bill therefore uses a term that is no longer an accurate reflection of the current responsibilities or approach to supporting learners in further and higher education in Scotland. We would propose that the broader term of ‘additional support needs’ would reflect the work to build inclusive learning environments that is already underway in colleges and universities.

The Additional Support for Learning (Scotland) Act states that schools should provide the additional support that is required by pupils in order to learn. This will broaden the definition of those whom schools should provide for, and is a positive statement about making school education inclusive of all. The ASL Act changes the arrangements to smooth young people’s transition from school to college or university. Therefore, to use the same broad definition in further and higher education would encourage a more joined-up approach at transition. It must also be noted that proposed changes to policies around 14-16 year olds attending college would benefit from shared understanding of provision for those who need additional support to learn.

NUS Scotland would welcome further discussion of this issue by the Committee and indeed an amendment to the Bill to use the definition “those persons with additional support needs”.

Alex Neil MSP  
Convenor of the Enterprise and Culture Committee  
Scottish Parliament  
Edinburgh  
EH99 1SP

22 November 2004

Dear Convenor

I am writing with regards to a proposed amendment to the Further and Higher Education (Scotland) Bill. This letter is written with the support of the Scottish Disability Team (funded by SHEFC to improve provision for disabled students in higher education), Capability Scotland, Lead Scotland: Linking Education and Disability, and NUS Scotland.

Section 12 of the Bill states that the Funding Council must have regard to persons with learning difficulties. This terminology is no longer appropriate, nor does it place a sufficient duty on the Funding Councils to ensure that all students can fully participate in learning.

Instead, we urge the Committee to amend the Bill so that the Council should have regard to persons with additional support needs.

I have attached a briefing paper that sets out the reasons to amend the bill. Skill Scotland would be keen to meet with you to discuss this proposed amendment, and to provide any further clarification or detail as required.

Yours sincerely,

John Ireson  
Director, Skill Scotland
Further and Higher Education (Scotland) Bill

Requirement to have regard for persons with additional support needs

Background
Section 12 of the draft Further and Higher Education (Scotland) Bill states that the Council should have regard to the requirements of people who have a learning difficulty, defined as significantly greater difficulty in learning than the majority of other people of the same age.

The term ‘learning difficulties’
The term ‘learning difficulty’ is very narrow and excludes many people who do not have any difficulty in learning if they get the additional support that they need. For example, a person with a visual impairment may have no difficulty in learning if they get information in large print and adequate assistive technology.

To use a person’s age as a point of reference to establish a learning difficulty is not appropriate in lifelong learning that includes people of all ages.

In addition, this term takes a backward step from the Disability Discrimination Act that requires colleges and universities to make reasonable adjustments for disabled students if they are disadvantaged – disabled students encompass a much broader group of students than those with learning difficulties.

The transition from school
The transition from school is often very difficult for young disabled people, mainly due to a lack of coordination between agencies and a lack of opportunities with adequate support provided. Regulations are expected under the Additional Support for Learning (Scotland) Act that will seek to resolve these difficulties, at least to some extent. They will do this by placing duties on colleges and universities to provide assistance to schools in supporting the transition from school for young people with additional support needs. Therefore, colleges and universities will already have to have regard to those with additional support
needs who are coming from school. This legislation presents an opportunity to give the Funding Councils a corresponding duty to have regard to not only those with 'learning difficulties' but to all those who have additional support needs.

It must also be noted that proposed changes to policies around 14-16 year olds attending college would benefit from shared understanding of provision for those who need additional support to learn.

**Inclusive lifelong learning**

The Lifelong Learning Strategy for Scotland stated that Scotland should be a place where 'people have the chance to learn, irrespective of their background or current personal circumstances'. There must be a duty on the Funding Councils to provide the necessary support and funding to make this a reality.

**Proposal**

The Council should be required to have regard for persons who have additional support needs. The definition of additional support should be similar to that of the Additional Support for Learning (Scotland) Act i.e. additional support means ‘provision which is additional to, or otherwise different from, the educational provision generally provided by’ fundable bodies.
Mhairi Snowden: I want to raise an issue that has become more urgent, as the Further and Higher Education (Scotland) Bill is going through at the moment. One of the things that we wanted that bill to include was choice for disabled people. At the moment, if a disabled person chooses to go to a college south of the border—which may be because there is a specialist college there—the funding comes via local authorities. Local authorities have only the discretion to fund; they do not have a duty to do so. Our concern is that that funding is on quite a different footing from the rest of student funding, which, as you know, is all nationalised, through the Student Awards Agency for Scotland or through the funding councils. Students can choose to go to university south of the border. Although disabled people make up a small group, that small group has real difficulties getting funding. We have had quite a lot of inquiries to our information service about it. I do not know whether the committee can do anything to affect the bill, but it is an opportunity that might be missed to get that sorted out.
Held to Account

Seventeen ways in which Higher Education institutions are accountable for the use of public money

Introduction

The Scottish higher education sector is responsible for the use of over £1 billion of public money. All of the universities and colleges which make up the higher education sector are very conscious of the responsibility to account for the appropriate, effective and efficient use of that money. This paper outlines the layers of accountability which apply to the sector. It is divided into three sections.

The first section deals with how the sector is held accountable for the processes through which it carries out its work – conditions for achieving higher education status, financial accountability, internal audit, external audit, value for money and financial appraisal. This section will demonstrate that universities and colleges of higher education are rigorously scrutinised for the ways in which they use their resources.

The second section deals with quality and standards checking – quality assurance, institutional review, subject benchmarking, programme specification, code of practice, external examiners, accreditation, qualifications framework and student complaints review. It will demonstrate that universities and colleges are carefully monitored for the service and standards provided with public money.

The third section deals with performance monitoring – the Research Assessment Exercise and performance indicators. It will demonstrate that universities and colleges have their core outputs closely measured.

Section 1: Technical Process

Eligibility to apply for university college or university status

The Further and Higher Education (Scotland) Act 1992, gave the Privy Council responsibility for deciding which institutions should be granted degree awarding powers. The Privy Council acts on the advice of Government and consults Scottish Ministers on applications from Scottish institutions. However, Ministers from all four UK countries have agreed with the Privy Council on the criteria for degree awarding powers and university title, and the agreed criteria apply on UK wide basis. Only designated institutions may apply for degree awarding powers and university status. The Privy Council, Quality Assurance Agency and the applicant institution’s validating partner all play a role in the applications process.

To secure taught degree awarding powers an applicant has to satisfy a number of criteria in relation to institutional governance and management, quality assurance, academic staffing and administrative infrastructure. To secure specialist research degree awarding powers a further set of
criteria relating to the institutional research environment need to be satisfied. To achieve University
title a series of criteria relating to institutional governance and management, quality assurance,
avademic staffing, administrative infrastructure and the institutional research environment need to
be satisfied.

According to guidelines from the Quality Assurance Agency, institutions seeking university status
and/or the power to award degrees should be:

- acknowledged as being worthy of university title or degree awarding powers by their peer
  community
- well founded, cohesive, self critical
- have their own mission statement
- contribute to diversity within the system
- maintain the quality of degrees

In addition, over the five years preceding an application the institution must demonstrate that none
of its provision has been found to be unsatisfactory by the relevant quality assurance agency, and
serious weaknesses of academic management have been identified in academic audits or
institutional review reports.

Financial accountability

As recipients of significant amounts of public funding, higher education institutions are subject to
specific requirements in relation to the safeguarding and use of these funds. The chain of
accountability involves the Scottish Parliament, Scottish Executive Enterprise and Lifelong
Learning Department Office Education and Industry Department, SHEFC and the institutions
themselves.

The accounting officer of the Scottish Executive Enterprise and Lifelong Learning Department
(SEELLD) Office Education and Industry Department is accountable to Parliament for the funds
which are issued to SHEFC. The accounting officer is responsible for ensuring that the financial
management and other controls applied by SEELLD and SHEFC are sufficient to safeguard public
funds and satisfy the requirements of propriety. Audit is a key element of these controls and
SHEFC is required by the department to have an audit service and to operate appropriate and
effective monitoring systems. SEELLD is required to satisfy itself that SHEFC has in place effective
internal audit arrangements.

SHEFC’s chief executive acts as accounting officer for funds received from the Executive and is
accountable to the Scottish Parliament for those funds. Among other things, he must be satisfied
that institutions are making proper arrangements to ensure that public funds are being used for the
purposes for which they were given, comply with the conditions attached to them and are
adequately safeguarded. In order to help obtain this assurance, SHEFC’s Governance and
Management Appraisal and Policy (GMAP) directorate will periodically monitor compliance with the
code of audit practice and assess the adequacy of internal management controls of institutions.
The most efficient way of GMAP performing this task is to rely on the work of institutions' internal
and external auditors, where appropriate, and so avoid duplicating audit investigations.

Within an institution, the governing body is the supreme decision-making body and funds provided
by SHEFC are in effect provided to the governing body. In formal terms the governing body of an
institution is responsible for ensuring that funds from SHEFC are used only in accordance with the
1992 Act, the institution’s financial memorandum with the council, and any other conditions which
SHEFC may prescribe. At the detailed level the governing body is responsible for ensuring the
establishment and maintenance of effective arrangements to:
ensure that the institution has in place effective internal control systems to safeguard the assets of the institution and to prevent and detect fraud;

- ensure that the financial, planning and other management controls, applied by the institution are appropriate and sufficient to safeguard public funds and funds from other sources, and to ensure that the funds are only used in accordance with the conditions under which they were made available (conditions of grant);

- secure the economical, efficient and effective management of the institution's resources including capital assets, equipment and personnel so that the benefits that should be derived from the application of funds by SHEFC are not put at risk; and

- ensure sound corporate governance and the proper conduct of the institution's operations.

To assist the governing body with meeting these responsibilities, the financial memorandum requires that the governing body must establish an audit committee. The governing body is required to designate a principal officer, referred to as the designated officer, who is responsible for ensuring the proper and effective operation of controls. An institution is required to keep proper accounting records and to provide, in respect of each financial accounting period, financial statements prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Higher Education Institutions and, where appropriate, the Companies Acts. The governing body is required to appoint an external auditor to audit the financial statements in accordance with relevant auditing standards and guidelines and the code of audit practice published by SHEFC.

Internal audit

In accordance with the institution's financial memorandum with SHEFC, the governing body is required to secure the provision of an effective internal audit service (IAS). The operation and conduct of the IAS must conform to the standards for internal audit which are laid down in "Guidance for Internal Auditors" issued by the Auditing Practices Committee in June 1990, as updated and amended. Internal auditors must also have regard to relevant advice provided by professional auditing and accountancy bodies and any additional guidance which may be issued by SHEFC from time to time.

The prime responsibility of the internal audit is to provide the governing body, the designated officer and other senior management of the institution, with an objective assessment of the adequacy and effectiveness of management's internal control systems. Internal audit is an independent appraisal function, and for the most part, the institution contracts people outside of the institution to undertake this audit on its behalf. This independence enables internal auditors to appraise the internal control system in the impartial and unbiased manner essential to the proper conduct of audits. Although there is no specific time frame covering internal audits, they are generally undertaken within a five year cycle, and in this time every system within the institution is scrutinised. The internal audit examines, evaluates and reports on the adequacy of internal control. Internal audit is a key control mechanism, with a scope covering all the activities of the institution including those not funded by SHEFC. Coverage includes all the institutions' operations, resources, staff, services and responsibilities to other bodies although does not extend to the academic process.

The reporting arrangements for internal audit are determined by the institution after consideration by its audit committee. It is important that the reporting arrangements adopted do not compromise the independence or objectivity of the internal audit service. As a minimum, the internal audit report will include:

- the internal audit opinion on the adequacy and effectiveness of the institution's internal control system, having taken into account findings and conclusions from the systems that
have been audited during the year, as well as in previous years and any known significant changes to the institution's risk profile that are likely to impact on future audit coverage;

- the internal audit opinion on whether proper arrangements are in place to promote and secure value for money;
- an analysis of common or significant weaknesses arising;
- an executive summary of each IAS report;
- a comparison of the internal audit's achieved performance during the year with that planned, placed in the context of the internal audit needs assessment and incorporating information regarding re-prioritisation of work during the year;
- details of any major audit findings where management action appears to be desirable but has not been taken, including those identified in previous years' IAS reports, and which needs to be brought to the governing body's attention;
- the extent of achievement of any objectives (including targeted performance indicators) which may have been agreed for the internal audit service;
- an analysis of agreed performance indicators; and
- the operational plan for the year following the year in which the report is written, including narrative explanation of variances from strategic plan.

After consideration and approval by the audit committee, a copy of the internal audit annual report, together with the audit committee's comments thereon, is provided by the institution to SHEFC.

**External audit**

The primary role of external audit is to report on the financial statements of institutions and to carry out examination of the statements, underlying records and control systems. However, the audit of public funds extends further than that of the commercial sector since auditors must also be concerned with the requirements of SHEFC and other funding bodies. Such requirements stem from the need for institutions to be publicly accountable for the public funds which they receive.

The external auditor's report must, therefore, also cover whether there has been compliance with all the terms and conditions attached to the funds provided to institutions. Unless valid circumstances dictate otherwise, an institution's external auditor should also be appointed to perform the statutory audit of an institution's subsidiary companies.

Institutions must ensure that their auditors are eligible for appointment as external auditors within the requirements of the Companies Acts. Furthermore, under the Universities (Scotland) Act 1966, no person qualified to be appointed as an external auditor who is, or any member of whose firm is, a member of the university court or a member of the staff of the university. Also, to enable the objective review of internal audit by external audit, the same accountancy firm cannot provide both internal and external audit services to the same institution. The governing body, as advised by its audit committee, is responsible for appointing and re-appointing the institution's external auditors.

The external auditors report details whether:

- the financial statements give a true and fair view of the state of the institution's affairs and of its income and expenditure and its cash flows for the year, taking into account relevant statutory and other mandatory disclosure and accounting requirements, including the Statement of Recommended Practice: Accounting in Higher Education Institutions, and any additional requirements of SHEFC;
- funds, from whatever source, administered by the institution for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with any other terms and conditions attached to them; and
- income has, in all material respects, been applied in accordance with relevant legislation and with the institution's financial memorandum with SHEFC.
The external auditors may report privately to the governing body, through the audit committee, on the results of their work or they may make reference to this review in the financial statements either in their audit opinion or through a separate report. The external auditor is entitled to attend the meeting of the governing body or other appropriate bodies to which the institution's annual report and financial statements are presented. Institutions must send a copy of external audit's final Management Letter and management's responses thereon to SHEFC. However, in the case of serious control weaknesses, significant frauds or irregularities or any major accounting breakdown to the designated officer, the external auditors must report in writing to the chairman of the governing body, the chairman of the audit committee and the chief executive of SHEFC.

Value for money

Higher education institutions are required by SHEFC to establish arrangements to secure the economic, efficient and effective management of the institution's resources. To meet this responsibility, the governing body must ensure that there are in place sound controls for planning, appraisal, authorisation and control of the use of resources.

The term “value for money” is used to describe the combination of economy, efficiency and effectiveness:

- economy means minimising the cost of resources acquired or used, bearing in mind the quality, i.e. spending less;
- efficiency covers the relationship between the output of goods or services and the resources used to produce them, i.e. spending well; and
- effectiveness covers the relationship between the intended and actual results of projects and programmes, i.e. spending wisely.

Institutions must have a strategy for reviewing management’s arrangements for securing value for money, and this is usually defined by senior management in consultation with the audit committee and the governing body. The audit committee, the head of the internal audit service and the external auditor play a role in advising the governing body on potential topics for inclusion in the programme of value for money studies. The audit committee is responsible for monitoring the effectiveness of the institution’s arrangements to secure economy, efficiency and effectiveness which are put in place by management. The role of the internal audit service in relation to value for money auditing is twofold - as an integral part of its responsibility to evaluate the internal control system, internal audit must examine and evaluate the controls established by management to secure economy, efficiency and effectiveness; and internal auditors may conduct or participate in specific value for money studies. Over the complete audit cycle internal audit must provide a comprehensive appraisal of management's arrangements for achieving value for money.

In view of their independence and professional expertise in review, analysis and investigative work, internal auditors are often regarded as particularly suitable for conducting or assisting with specific value for money studies. However, institutions themselves will consider the extent to which it is appropriate to engage internal audit staff to lead and/or participate in each specific study. In some instances other institutional staff with appropriate expertise or independent specialists may be engaged either to manage or participate in such studies.

Governance and Management Appraisal and Policy (GMAP)

The financial memorandum between SEELLD and SHEFC requires the establishment of an audit function by the council. This audit function is discharged by SHEFC’s Governance and Management Appraisal and Policy directorate, which has taken over the remit of the Financial Appraisal and Monitoring Service (FAMS). The GMAP directorate is responsible for providing a
comprehensive range of services to SHEFC with regard to monitoring the financial health of higher education institutions throughout Scotland.

The monitoring function of GMAP includes the following:

- analysis of financial forecasts, mid-year financial information and annual financial statements;
- assessment of institutions’ financial control and audit arrangements;
- participating in UK wide value for money studies and other such projects aimed at developing and improving financial management in the sector; and
- developing and disseminating good practice guidance in relation to governance and management.

In this regard, GMAP is responsible for evaluating the council's control arrangements, and for providing assurance to SHEFC's chief executive, as accounting officer, and the council's audit committee on the effectiveness of those control arrangements. A key responsibility of GMAP is to establish and develop a process for monitoring the effectiveness of institution's financial and management control and audit arrangements. GMAP has no executive role within institutions, nor does it have any responsibility for the development, implementation or operation of their systems. Nonetheless, it may provide advice and guidance to institutions on control and related matters, subject to the need to maintain objectivity. All institutions receiving funding from SHEFC fall within the scope of GMAP’s review.

In carrying out its responsibilities for monitoring the effectiveness of institutions control arrangements, GMAP undertakes a cycle of visits to each institution to review financial and management controls in operation across a range of activities, in particular, finance and audit. The overall objectives of the reviews are to assess the effectiveness of the operation of the institutions’ key arrangement controls, and to assess the institutions compliance with good practice and related guidance.

In order to do this GMAP will:

- meet with members of the institution's senior executive;
- review the activities of the internal audit function including audit planning and reporting arrangements; and meet with the internal auditor;
- review the external audit arrangements, including all relevant documentation and meet with the external auditor;
- review the activities of the audit committee through an examination of its minutes and its annual report to governing body; and meet with the chair of the audit committee;
- review the activities of the finance committee;
- review the budget setting process and financial reporting arrangements and meet with the finance officer; and
- review the activities of the governing body through an examination of its minutes.
- GMAP may also, after appropriate liaison, carry out ad hoc investigations at an institution on perceived areas of high risk.

Before concluding the visit GMAP discusses key findings with the institution and agrees these as factually accurate. The GMAP report gives an opinion on the area reviewed and makes recommendations to the institution's management, where appropriate. The report includes an agreed action plan for improvement and material recommendations are followed up by GMAP. All reports are copied to the chief executive of SHEFC, and GMAP will communicate to the
institution's external and internal auditors any significant problems detected as a result of its review.

GMAP also maintains the internal audit service within SHEFC to ensure that adequate controls are in place.

Section 2: Quality and Standards

Academic quality refers to how the learning opportunities available to students help them to achieve their award. It is about making sure that appropriate and effective teaching, support, assessment and learning opportunities are provided for them. Academic standards, on the other hand, refer to the level of achievement that a student has to reach to gain an academic award.

SHEFC has a statutory duty to ensure the quality assessment of provision in the higher education sector. SHEFC, like SFEFC in the further education sector, has the power to withdraw funding, although this would be seen as the last option.

It is a condition of grant that higher education institutions, taking account of their own particular circumstances and contexts, devise and implement strategies which address effectively the Scottish Executive's priorities for:

- equality of opportunity and widening participation;
- continuous improvement of learning and teaching;
- research and knowledge transfer; and
- human resources policies and management.

SHEFC contracts with the Quality Assurance Agency for Higher Education (QAA) to carry out reviews on its behalf.

Quality Assurance Agency for Higher Education (QAA)

The QAA is an UK-wide independent body which was established in 1997 to provide an integrated quality assurance service for UK higher education. It is funded by subscription from the higher education institutions and through funds from the higher education funding councils. The QAA’s responsibility is to safeguard the public interest in sound standards of higher education qualifications, and to encourage continuous improvement in the management of the quality of higher education.

It is the responsibility of each institution to offer a good quality education and to ensure that appropriate standards are achieved. It is the QAA’s role to provide public assurance that standards and quality within higher education are being safeguarded and enhanced. It does this mainly through a peer review process of audits and reviews. These are conducted by teams of auditors and reviewers, most of whom are academics but with some members drawn, where appropriate, from industry and the professions. QAA reports on most of its review activities, and this information helps prospective students and their advisers when applications are made to universities and colleges. It may be used also by graduate recruiters and professional, statutory and regulatory bodies that recognise higher education awards that count towards their qualifications.

Over the past decade the higher education sector in Scotland has participated in a range of initiatives in the external assurance of quality and standards. These initiatives have included a complete round of teaching assessments at the subject level; 75 academic reviews at the subject
level; a complete round of audits of institutional management of quality; thirteen second round continuation audits. The outcomes of these activities have demonstrated that, in general, Scottish higher education institutions had in place effective quality management systems relating to the experience of students and the standards of their awards, and that the subject provision experienced by students was highly satisfactory or better.

Building on these foundations, national and institutional activities relating to managing quality and standards have been changing to focus more explicitly on the enhancement of the learning experience of students.

The Enhancement Led Institutional Review

Over the period of 2001-03, SHEFC, Universities Scotland, the Quality Assurance Agency, and representatives of the student body have worked closely together on the development of a new approach to quality, the Enhancement Led Institutional Review (ELIR). The new approach was fully implemented for the 2003-04 academic year, and as the process is based on a four year cycle all institutions will have completed the ELIR by 2007.

The five interrelated elements of the approach are:

- a comprehensive programme of reviews at subject level, operated internally by the institutions themselves;
- the Enhancement Led Institutional Review process, which will involve all Scottish higher education institutions over a four year cycle;
- improved forms of public information about quality made available by the institutions, based on addressing the needs of a range of stakeholders including students and employers;
- the effective involvement of students in institutional quality management, supported by a new national development service;
- a national programme of enhancement themes, aimed at developing and sharing good practice in learning and teaching in higher education;

In order to meet the agreed requirements of SHEFC, Universities Scotland and the student bodies, the design of the institutional review methodology has embraced a focus on the strategic management of enhancement; a focus on the effectiveness of student learning; the use of a range of reference points including the Scottish Credit and Qualifications Framework, the QAA’s code of practice and subject benchmark information; appropriate reference to employer and international perspectives; the inclusion of a student or representative within the audit team; and a published report which includes commentary on a range of quality issues. There is no summative judgement in the report, but it does include a judgement on the effectiveness of the institution’s systems for maintaining quality and standards at an acceptable level. The judgement provides comparability with other audit and review methods operating in UK. The published report is the complete, formal and public record of the ELIR process, including the evidence-based commentaries and conclusions of the review team.

The agencies involved in developing this strategy believe that the collaborative approach to quality is unique in many respects - in its balance between quality assurance and enhancement; in the emphasis which it places on the student experience; in its focus on learning and not solely on teaching; and in the spirit of cooperation and partnership which has underpinned all these developments. Consequently, this new approach places Scotland at the forefront of international good practice in this area.

Subject benchmarking, programme specifications and code of practice
There are a number of further QAA measures to ensure quality and standards in higher education, including subject benchmarking, programme specifications and a code of practice. Subject benchmark statements set out expectations about standards of degrees in a range of subject areas. They describe the conceptual framework that gives a discipline its coherence and identity, and define what can be expected of a graduate in terms of the techniques and skills needed to develop understanding in the subject. They also identify the level of intellectual demand and challenge represented by an honours degree in subject areas, and help higher education institutions when they design and approve programmes.

Programme specifications are the sets of information that each institution provides about its programmes. Each specification clarifies what knowledge, understanding, skills and other attributes a student will have developed on successfully completing a specific programme. It also provides details of teaching and learning methods, assessment and subsequent career opportunities, and sets out how the programme relates to the qualifications framework. This information allows prospective students to make comparisons and informed choices about the programmes they wish to study and provides useful guidance for recruiters of graduates.

The code of practice sets out guidelines on good practice relating to the management of academic standards and quality. Each section of the code of practice has precepts or principles that institutions should satisfy, with guidance on how they might meet these precepts. The Code has 10 sections:

- postgraduate research programmes;
- collaborative provision;
- students with disabilities;
- external examining;
- academic appeals and student complaints on academic matters;
- assessment of students;
- programme approval, monitoring and review;
- career education, information and guidance;
- placement learning;
- recruitment and admissions.

External examiners

Each higher education institution appoints external examiners who report to the head of the institution. External examiners are independent academic experts drawn from other institutions or from areas of relevant professional practice. Institutions require external examiners, in their expert judgement, to report on:

- Whether standards set are appropriate for the awards or award elements, by referring to benchmark statements, the frameworks for higher education qualifications, institutional programme specifications, and other relevant matters;
- The standards of student performance and the comparability of the standards with those following similar programmes in other UK higher education institutions;
- The extent to which the processes for assessment, examination and the determination of awards are sound and have been fairly conducted.

Section 4 of the Quality Assurance Agency’s Code of Practice outlines principles for institutions to consider with regard to external examiners. The QAA suggests that full and serious consideration should be given by the institution to comments and recommendations contained within external examiners’ reports, and the outcomes of the consideration, including actions taken, should be formally recorded.
Accreditation by professional, regulatory and statutory bodies

Some programmes of study in higher education may lead also to a professional or vocational qualification, for example, in engineering, law, accountancy or medicine. Such programmes are subject to accreditation by the relevant professional or statutory body. This form of accreditation recognises that a programme provides some or all of the competencies needed for professional practice, and can be viewed as a means of accountability for standards within the relevant programme.

The Law Society of Scotland for example, under the Solicitors (Scotland) Act 1980, is responsible for regulating the qualification of persons for entry to the solicitors’ profession. The society encourages law schools to adopt best practice in the field of legal education and training, and take as their core education concept the benchmark of competence in legal practice. Applications for accreditation from the Law Society of Scotland must be made to the Director of Education at the society, who will then consider the performance of the law school over a wide reaching range of standards including teaching resources, staff development, staff student ratio, IT facilities, library standards, entrance qualifications, reports of the external examiner, and randomly selected examples of student work.

The Society recognises universities as accredited for the provision of qualifying degrees if the following requirements, among others, are met:

- The course of study leading to the qualifying degree will be one which satisfies external examiners approved for the purpose by the Society that, in addition to the areas of performance set out in the benchmark standards of the QAA or as set out by any equivalent or successor body, students of that course of study should have acquired the knowledge and general transferable skills set out by the Society.
- The course of study for the qualifying degree in law includes the study of legal subjects for the equivalent of not less than two years so that for example, under the SCOTCAT system, a student gains not less than 240 credits in the study of legal subjects in a degree programme or in a combination of degree programmes containing either 360 or 480 credits.
- The syllabus and reading list of the qualifying degree includes material equivalent to the Examination Syllabus as issued by the Society. Not less than 180 credits in the qualifying degree should be devoted to the material equivalent to the Society's Examination Syllabus, and students taking the qualifying degree must pass all final assessments of the subjects equivalent to the Society's Examination syllabus.

In addition, the Law Society sets out objectives of the qualifying degree under the headings of subject specific abilities, general transferable intellectual skills, and key personal skills. These performance objectives are comprehensive and cover learning outcomes from communication and literacy, to critical judgement and evaluation, and legal and ethical values.

The Scottish Credit and Qualifications Framework

The Scottish Credit and Qualifications Framework (SCQF) promotes clearer understanding of the achievements and attributes represented by attaining school, further education and higher education qualifications. The introduction of the Framework has encouraged the use of learning outcomes in Scotland’s higher education institutions, and has been a further impetus for looking at quality and standards across Scottish qualifications. The Framework describes qualifications in terms of credit and level – credit is awarded at a specific level and is thereby linked to learning outcomes. There are twelve levels, with level 1 representing outcomes designed for learners with profound learning difficulties, and level 12 representing outcomes associated with doctoral studies. Generic level descriptors for each level give an indication of the level of demand on the learner and give descriptions of learning outcomes which are characteristic of qualifications at that level.
By setting out the attributes and abilities that can be expected of the holder of a qualification, the framework helps students and employers understand the meaning and level of qualifications and provides public assurance that qualifications bearing similar titles represent similar levels of achievement. Furthermore, the SCQF identifies the achievements of learning and support the concept that learning is a lifetime activity.

Scheme for the Independent Review of Student Complaints

Universities Scotland introduced a new voluntary scheme for the Independent Review of Student Complaints system in academic session 2002-03. The scheme allows cases to be referred for independent review in those instances where internal processes have been completed; and the complainant is dissatisfied with the outcome, and wants the case to be referred for independent review. The Independent Reviewer is a member of the Faculty of Advocates, an appointment made by the Dean of the Faculty of Advocates and is independent of the higher education sector. Neither Universities Scotland nor the higher education sector was involved in selecting the reviewer. Students who have exhausted their institution’s internal complaints procedures and remain dissatisfied can appeal to the Independent Reviewer. Individual institutions will advise the student of the procedure for doing so at the conclusion of internal processes. At that point the student is given the contact details of the Independent Reviewer. The scheme does not cover complaints by members of staff or matters of academic judgement, including marking or examinations, except in procedural matters.

Section 3: Performance Monitoring

The Research Assessment Exercise

The Research Assessment Exercise (RAE) evaluates the quality of research in higher education institutions. Its main purpose is to distribute public funds for research selectively on the basis of quality. The outcomes grade the unit responsible for research, usually a university department but sometimes a faculty or perhaps a smaller team, on a scale of 1 to 5, five being the highest quality. Two of these grades have a subdivision which differentiates performances which are not significant enough to merit a separate band. These are band 3 (which is divided into 3a and 3b) and 5 (where there is also a 5* which denotes a higher volume of international excellence.

All higher education institutions are invited to put forward members of staff from departments whose research quality is assessed by panels of their peers, international experts and consumers of research from out-with academia, such as industrialists. Every higher education institutions may make a submission to as many of the units of assessment as they choose. Such submissions consist of information about the academic unit being assessed, with details of up to four publications and other research outputs for each member of research-active staff. Institution’s submissions also contain information such as the number of research students and the research income generated. According to the number of staff rated at different level, the department will be rated in one of the five bands.

The most recent RAE was undertaken in 2001, and its results show:

- There has been a major improvement in the quality of research in Scotland. 50 per cent of research staff work in departments rated as internationally excellent.
Scotland has overtaken the UK average rating and has matched that of England. In the last five years Scottish research has improved by an average of 18 per cent, compared to a 15 per cent improvement in England.

The amount of research carried out in Scotland is impressive, with 12.1 per cent of RAE submissions with only 8.6 per cent of the UK population. There is 40 per cent more research per capita in Scotland than the UK average.

In key areas for the Scottish economy, the average quality of research outstrips the rest of the UK. This includes biological science, electrical and electronic engineering, hospital-based clinical subjects and computer science. The key messages for Scotland are that Scotland is now as highly regarded as any other UK country in terms of research quality. In areas of key importance to the economy we are delivering some of the best research in the UK. And importantly, we are doing an enormous amount of research given the size of the country. The positive results of the 2001 RAE are due in part to SHEFC having focused more funding on developing the research base. It has also encouraged collaborations which have been very effective. Scotland has also pulled in more than its per capita share of research council pots of money from UK-wide competitive bidding. All of this has enabled greater efficiency and enhancement of research quality in Scotland. Because the average level of quality has increased, if the unit of funding is to be maintained, new money must be put in. Clearly, you cannot divide the same pot among a larger number of successful departments and keep the unit of funding the same.

The next Research Assessment Exercise (RAE) is planned for 2008 and will use quality profiles to provide a fuller and fairer assessment of research carried out in higher education institutions in the UK. The results of the exercise will be expressed as quality profiles of research in each department submitted to the RAE. They will determine the annual distribution of funds for research in UK higher education institutions over a six-year period from 2009. The quality profiles measure the different proportions of work in a submission that reach each of four defined levels of quality. They will replace the overall judgement of research for each department based on a seven point grading scale used in the previous exercises.

Performance indicators in higher education

The need to establish a common system for measuring aspects of the performance of higher education institutions has been recognised for some time. The Performance Indicators Steering Group led the work of developing performance indicators, bearing in mind institutions' diversity and the needs of different stakeholders. Its members are drawn from the UK higher education funding councils, government departments, the Higher Education Statistics Agency (HESA) and the higher education institutions through their representative bodies. The set of performance indicators published in September 2004 is the sixth in the series and details performance of aspects of higher education institutions in academic year 2002-2003.

Performance indicators are a range of statistical indicators intended to offer an objective measure of how a higher education institution is performing. There are indicators for all 168 publicly funded higher education institutions in the UK, however they do not represent “league tables”, and do not attempt to compare all higher education institutions against each other. The purpose of performance indicators is to provide reliable information on the nature and performance of the UK higher education sector; enable institutions to benchmark their own performance; inform policy developments; and contribute to the public accountability of higher education.

They currently cover:

- access to higher education from state schools, socio-economic class, low participation neighbourhoods, and amongst people with disabilities
- non-continuation rates for young and mature students
performance indicators are of interest to a wide range of bodies, including government, universities and colleges, and the UK higher education funding bodies, as well as schools, prospective students and employers. The 2004 performance indicators report, which covers 2002-2003, shows that:

- the proportion of young entrants to higher education in Scotland from state schools continues to rise. The proportion has risen steadily from 81% to 87.5% between 1997 and 2002;
- only 16% of students in Scotland starting a first degree course are not expected to obtain a qualification, this rate is high compared to other countries in the world;
- the proportion of full-time and part-time students in receipt of the disabled students allowance, although small, is continuing to rise steadily;
- the percentage of young full-time undergraduate entrants in Scotland from low participation neighbourhoods at 18.6% continues to hold its position ahead of the UK average of 13.3%; and
- although the population of Scotland is under 9% of the UK population, Scottish institutions attract some 11% of external research grants and contracts, indicating a disproportionate contribution to the knowledge economy.

ENDS
Enterprise and Culture Committee

Meeting 30 November 2004

Further and Higher Education (Scotland) Bill

Follow Up Information from Universities Scotland

During its Stage 1 Scrutiny of the Further and Higher Education (Scotland) Bill, the Committee requested Universities Scotland to provide it with written comment on its opinion of the Scottish Further Education Funding Council’s submission on audit arrangements in the further education sector.

Universities Scotland Response

This is very much an FE issue (none of the bodies involved are involved with HE quality assurance). But as requested, our thoughts would be:

"The partners involved in quality assurance in the Scottish higher education sector have developed a system with which all stakeholders are satisfied and which has widespread confidence. We are keen that this system is maintained and supported. We are not as familiar with quality assurance arrangements in the further education sector. However, from a brief look at the summary of arrangements for quality assurance in the further education sector and taking into account our own past experience with this, there seems to be a strong case for looking at rationalising and simplifying the process."

Hope this is helpful

Robin McAlpine
Universities Scotland
23 November 2004
At the meeting of the Enterprise and Culture Committee on 5 October 2004, during the evidence session on the Further and Higher Education (Scotland) Bill, you asked for further information on three areas:

- To clarify the position on the legal effect of the intention set out in paragraphs 17 and 18 of the Explanatory Note to the Bill as regards Scottish Ministers' ability to set differential fees for different types of courses;

- to clarify the legal position as regards the accountability relationship between accountable officers for further education colleges and higher education institutes in accordance with the provisions of the Public Finance and Accountability (Scotland) Act 2000;

- to provide the Committee with a briefing paper on the arrangements for streamlining the quality assessments, and their effectiveness, in further education.

Please find three annexes attached to this letter, which contain responses to each of these points. If any further information is required on these, or any other aspects of the Bill, please do not hesitate to contact me.

Yours sincerely,

MTS Batho

cc. Stephen Imrie – Committee Clerk.
To clarify the position on the legal effect of the intention set out in paragraphs 17 and 18 of the Explanatory Note to the Bill as regards Scottish Ministers' ability to set differential fees for different types of courses

1. It is the view of the Executive that courts will have regard to accompanying documents in interpreting legislation and consider them as being authoritative as regards the executive’s view of its effect. But, the Executive believes that the courts do not consider the documents to be in any way authoritative as to Parliament’s views and do not therefore feel obliged to interpret legislation in accordance with statements made in them. This in recognition of the fact that the documents are not endorsed by the Parliament.

2. The case of *Westminster City Council v National Asylum Support Service* [2002] UKHL 38 examined the legal status of accompanying documents. Lord Steyn, in obiter remarks analysing the status of Explanatory Notes which accompanied the Immigration and Asylum Act 1999, makes clear that the courts do not need to establish an ambiguity before taking into account any material which casts light on the objective setting or contextual scene of a statute. The Lords of Appeal, after considering the Explanatory Notes, did not however place any reliance on them in reaching their judgments, but Lord Steyn did go on to assert that—

   “if exceptionally there is found in Explanatory Notes a clear assurance by the executive to Parliament about the meaning of a clause, or the circumstances in which a power will or will not be used, that assurance may in principle be admitted against the executive in proceedings in which the executive places a contrary contention before a court. This reflects the actual decision in *Pepper v Hart* [1993] AC 593. What is impermissible is to treat the wishes and desires of the Government about the scope of the statutory language as reflecting the will of Parliament. The aims of the Government in respect of the meaning of clauses as revealed in Explanatory Notes cannot be attributed to Parliament. The object is to see what is the intention expressed by the words enacted.”

3. Although this represents the Executive’s view on the legal effect of accompanying documents, in the context of the Bill, ultimately a court could decide definitively to what extent it would take accompanying documents into account in any particular situation.

Scottish Executive
October 2004
ANNEX B

To clarify the legal position as regards the accountability relationship between accountable officers for further education colleges and higher education institutes in accordance with the provisions of the Public Finance and Accountability (Scotland) Act 2000.

1. Colleges of further education are covered by the accounting and audit provisions of the Public Finance and Accountability (Scotland) Act 2000 (the PFA Act). Their accounts are therefore audited by the Auditor General for Scotland (AGS) and must be laid before the Scottish Parliament. Higher education institutions (HEIs), for the reasons set out below, are not currently subject to the requirements of the PFA Act. They therefore appoint their own auditors and there is no statutory requirement for their accounts to be laid before the Parliament.

2. The following extract from the Policy Memorandum of the PFA explains the rationale for excluding HEIs from the requirements of the PFA Act:

- “FIAG [the Financial Issues Advisory Group] also considered the possibility of bringing other organisations such as local enterprise companies and higher education institutions into line with public audit principles. It did not reach a firm view, as the Group recognised that to make any changes on the myriad of constitutional arrangements affecting these organisations within the time available was unlikely to be practicable. It did however agree that the Auditor General for Scotland and the auditors appointed by him should be granted a right of access to the records of those organisations that depend to a significant extent on money from the Scottish Consolidated Fund. The Bill provides this in section 22.

- “The Executive agrees with FIAG's conclusion that to apply the principles of public audit at this stage to higher education institutions etc would be extremely difficult within the timescales required of the Bill. The Bill does not therefore address this issue but the Executive may consider it in due course.”

3. Under the terms of the PFA Act the Permanent Secretary of the Scottish Executive, in his/her role as the Principal Accountable Officer (PAO) for the Scottish Administration may designate as accountable officer, on a statutory basis, a member of staff of any body the accounts of which are subject to audit by the AGS.

4. However, as local public spending bodies, further education colleges are subject to less control than for example, non-departmental public bodies. The accountability mechanisms reflect the different legal status of the colleges, and make it more appropriate for SFEFC (which has a statutory accountable officer) to require the designation of “accountable officers” by individual colleges.

5. The Accountable Officer of the Councils require both colleges and HEIs to appoint an “accountable officer” for the funds they receive from the Councils, this is a condition within the financial memorandum with each institution. The Councils are currently working to completely revise their financial memoranda with institutions in a move which will see the same basic template being used for all institutions. Although not a direct result of this Bill, this is another example of
how the Councils are attempting to create a parity of esteem across both sectors by treating HEIs and colleges in a similar way where it is possible and practical to do so

Scottish Executive
Enterprise, Transport and Lifelong Learning Department
October 2004
To provide the Committee with a briefing paper on the arrangements for streamlining the quality assessments, and their effectiveness, in further education.

The following briefing paper, provided by the Scottish Further Education Funding Council, describes the work being taken forward to streamline the quality assessment process in the further education sector.

CONVERGENCE OF QUALITY ASSESSMENT IN FE

Background

It has long been recognised that FE colleges are subject to multiple processes of quality assurance and audit. In 1999, the newly created Scottish Further Education Funding Council (SFEFC) ran a consultation exercise on quality, and the issue of audit burden was a key feature in colleges’ responses. As a result, SFEFC, in partnership with the FE sector and relevant agencies, has taken a number of steps to reduce this burden through rationalisation of audit methodology and convergence of quality systems.

Colleges are subject to audit, assessment and monitoring by a range of bodies, each of which is answerable to its own stakeholders and hence has good reason to ensure that its standards and processes are being adhered to. We have drawn a distinction in practice between processes which are ‘compulsory’ for colleges in the course of their normal business and those which are ‘optional’ in which colleges voluntarily participate.

The main ‘compulsory’ processes are:

- Review by Her Majesty’s Inspectorate of Education (HMIE), under contract to SFEFC, which is a condition of grant for SFEFC funding.
- Audit by SQMS (Scottish Quality Management System framework) which is conducted by Babcock Engineering under contract to the Enterprise Networks and overseen by the SQMS Council; this is a condition of contract for all training providers receiving LEC funding for training.
- Institutional accreditation, programme validation and ongoing moderation processes operated by the Scottish Qualifications Authority, as a condition for colleges providing SQA awards.

Many colleges also participate in additional audit processes, the main ones being:

- Investors in People
- Accreditation, validation and moderation by other awarding bodies, the most common being City & Guilds but there are at least 30 other awarding bodies with courses available in one or more Scottish colleges;
- Other quality systems such as Chartermark and European Foundation for Quality Management.

In addition to formal audit processes, all colleges are subject to other monitoring processes operated by SFEFC, including scrutiny of annual planning documents, analysis of financial statements, and surveys of college provision in specific areas such as ICT and staff development.
**Actions taken to reduce the audit burden**

*Convergence steering group*

In 2000, SFEFC set up a Convergence Steering Group (SCG) including representation from HMIE, SQA, Scottish Enterprise, Highlands & Islands Enterprise and SQMS Scotland to consider various approaches to reducing the audit burden. This group has taken an overview of the specific actions outlined below.

*Common documentation*

Between 2000 and 2002 SFEFC supported work by HMIE, SQMS and SQA to consider the documentation required by each audit body. Colleges had reported that different auditors required similar data but presented in distinctive ways. This created a burden for colleges which was hard to justify. As a result of this exercise, the national agencies agreed clearer protocols for required documentation which allowed colleges to make more use of a single set. SFEFC funded groups of colleges to develop and present good practice in this area.

*Common audits*

The CSG partners piloted two approaches to combined audits. In one model, two or more audits were timetabled to take place simultaneously in volunteer colleges. In practice, this did not lead to reduced burden and proved to be quite stressful. It was also not easy to scale up this model since each agency was working to an existing 3 or 4 year timetable. In the second model, a single team of auditors, including members trained in more than one approach, conducted a combined audit which generated multiple audit reports from a single process. This approach had mixed results; it was highly dependent on the skill set of particular team members and in some cases led to confusion and tension. Nor was it scalable since the skill sets required by each agency were quite different; in particular, few SQMS auditors had the special professional experience associated with HMIE inspectors. We therefore abandoned this approach after the pilots.

*Mapping of quality frameworks and credit transfer*

SFEFC supported work by HMIE, SQMS and SQA to map the various quality frameworks used by each agency. This identified significant areas of overlap, particularly between HMIE review and the SQMS standards. SQMS already had a process for requesting credit transfer where there was independent evidence that one or more standards had been met. The first result of this was an agreement in the spring of 2002 that colleges which successfully completed an HMIE review could receive credit transfer for 3 out of the 10 SQMS standards.

This approach was further developed throughout 2002. SFEFC commissioned the Scottish Further Education Unit to conduct a detailed analysis of the HMIE and SQMS quality frameworks, which identified a potential for credit transfer for a further 4 SQMS standards. To achieve this, HMIE agreed to modify their review methodology in order to broaden the evidence base. In particular, they included LEC-funded provision within their sample of teaching observations. As a result, successful colleges could then receive credit transfer for 7 SQMS standards.

In 2003, SFEFC made a third application to the SQMS Council. This took account of the wider range of audit and monitoring processes carried out by SFEFC, in addition to HMIE review. As a result,
colleges can now receive credit transfer for 9 out of 10 SQMS standards; the exception is Health and Safety, which is not systematically addressed by HMIE or SFEFC; the CSG took the view that monitoring of this standard by SQMS was therefore appropriate.

In parallel with this process, the Enterprise Networks have conducted a review of SQMS and have introduced broader measures to reduce the burden across all training providers, notably by no longer requiring providers to meet the financial costs of audit.

SFEFC conducted a further consultation on quality in 2003, and HMIE are now introducing a revised methodology of review. In the new model, the scope and range of HMIE review is determined by the level of confidence which HMIE have in colleges’ ability to manage quality. Although all colleges will still be subject to systematic and rigorous review, we expect that in many cases this will involve not only less time spent by HMIE in each college, but a shift in focus from quality assurance to the identification and dissemination of good practice. The first reviews under the new method begin in January 2005. We plan to take a paper to the November meeting of the SQMS Council to ensure that this new approach will retain the existing wide range of credit transfer.

Next steps

The CSG next meets in November 2004 and will consider further steps in convergence of quality systems. We expect that the next priority will be to investigate possible overlaps between SQA and HMIE processes, particularly in the area of how colleges safeguard the academic standards of awards. In its revised model, SFEFC is giving greater priority to quality enhancement, and we think there is also scope for collaborative activity between SQA, HMIE and SFEFC on the development of good practice in areas such as moderation, the design of assessments, and student feedback. These ideas will be developed over the next few months.

Scottish Further Education Funding Council
October 2004