Scottish further education
funding council

Report on the Review of Management
of
Scottish Further Education Colleges

August 2000

PART ONE: INTRODUCTION

1. In March 1999 Mrs Helen Liddell, then the Scottish Office Minister of State for Education, announced that the Scottish Further Education Funding Council (SFEFC) was being asked to undertake a major review of the management of Scotland's further education colleges. This is the report of that review.

Format of Report

2. The report is set out in three parts as follows:

Part 1: An introductory section that explains the background to the report and how the Council has undertaken this study.

Part 2: The main findings and conclusions from the review are contained in this section. The effectiveness of the management of colleges is based on a comparison of the existing arrangements against good practice. That comparison takes into account the range and mix of skills, structures, systems and processes that could best serve colleges.

Part 3: This section provides a broad framework through which managerial performance will be measured and monitored. It contains a number of actions that SFEFC is taking in response to this review. Actions to be taken by Boards and Principals are set out in Annex C in the form of a series of challenge questions, the responses to which will provide the basis for each college developing a Management Action Plan, through which it can bring about required improvements on an ongoing basis.

Remit

3. The remit for the review was as follows:

To review the quality of management of Scotland's FE colleges, taking account of recent reports on aspects of management within the sector and in particular to:

- *assess the effectiveness of current management of colleges;*
- *identify what range and mix of management skills, structures, systems and processes would best serve colleges;*
- *suggest how the management performance of colleges might be measured and monitored; and*
- *make recommendations as to how best management practice can become the norm and how shortcomings can be identified early and addressed.*

And to report to Ministers by the end of May 2000[1]

The context in which colleges are managed

Statutory Duties of the Board of Management

4. Section 12 of The Further and Higher Education (Scotland) Act 1992 sets out the statutory duties of the Board of Management. Specifically, it states that the Board of Management shall have the duty of:

    (a) Managing and conducting their college; and

    (b) Ensuring that their college provides (either by itself or by arrangement with any other person) suitable and efficient further education to students of the college,

    And in carrying out their duty under paragraph (b) above, the Board shall have regard to the provision of education in the area in which the college is situated and to the likely needs of persons desirous of becoming students of the college.

Comprehensive Spending Review (CSR)

5. The review was announced at a time when the Government also announced, through the CSR, that it was allocating an additional £214m of funding to Scottish further education colleges in the period 1999-2002. This was against a background of the FE sector being financially weak with several colleges experiencing severe financial difficulties.

6. At the time of the announcement of the additional £214m the sector was given a clear indication of the outcomes expected from the additional investment in terms of meeting a series of Government objectives. These included:

    - widening of access to and participation in further education, particularly from among presently under-represented groups, to the extent of at least 40,000 additional college students per annum by mid-2002;

    - the stabilisation of the FE sector's finances;

    - the addressing of historic under-investment in college infrastructure; and

    - the supporting of increased investment in information and communications technology.

---

[1] The original remit was to report to Ministers by 31 December 1999. Following representation to Ministers about the timetable being considerably tightened by the need to appoint consultants through EU tendering procedures, it was agreed to extend the reporting deadline to 31 May 2000.

The way forward and future role of the FE sector in the Community

7. In announcing the overall funding allocation for Scotland's FE colleges in 2000-01 the Minister for Enterprise and Lifelong Learning, Mr Henry McLeish, outlined the role he saw the sector playing in economic development.

8. The Minister stated that he looked to colleges to be more pro-active in local and regional economic development and regeneration. Colleges, in that context, would be expected to help drive economic change and be key partners in developments and initiatives rather than merely being reactive participants.

9. The Minister indicated that he wished to see all colleges in Scotland developing local partnerships with business and enterprise companies to help ensure that the courses on offer meet the needs of local business.

Management Review Steering Group

10. At its meeting in April 1999, SFEFC approved the establishment of the Management Review Steering Group (MRSG) and assigned to it the task of overseeing the review and reporting to SFEFC. The terms of reference and full membership for the Steering Group are shown at Annex A.

Review Process

KPMG

11. The SFEFC directed its MRSG, whose convenor was Mr David Batty, a SFEFC member, to oversee the appointment of consultants to undertake fieldwork for the study. Following a competitive tendering process, KPMG were awarded a contract to carry out a detailed review of management arrangements at a representative sample of colleges. The principal output from that fieldwork study was to be a report for the MRSG on the findings and conclusions arising from the reviews of sample colleges. The report was also to make recommendations and practical suggestions on good management practice and how those recommendations could be implemented.

12. The MRSG determined that KPMG's input would be based on visits to 12 pilot site colleges. All colleges were given the opportunity to participate in the study by volunteering to become a pilot site and by submitting examples of good management practice at their respective colleges to the MRSG. The final selection of pilot site colleges was made by the MRSG in consultation with KPMG and took responses received from colleges into account.

13. In selecting pilot sites considerable emphasis was placed on obtaining a representative sample of colleges from across the sector. This entailed balancing a number of factors, including size, type of provision and geographical location of colleges. Given the diversity of the 47 colleges in the sector, it is emphasised that it is not possible to draw robust statistical conclusions from the 12 pilot site colleges.

14. In addition, it was intended that the sample would contain examples of good practice as well as instances where practice needed to be improved. The sample also included colleges that had experienced difficulty that had required significant managerial input to address specific issues such as, for example, a financial crisis. The list of pilot sites is included as Annex B.

15 KPMG consider the effectiveness of current management of colleges from the following perspectives:

- Corporate Governance
- Strategic and Operational Planning
- Quality Assurance
- Marketing
- Human Resources
- Financial Management
- Estates and Facilities Management

16. A challenge workshop, to which the Chairs of Boards of Management and Principals of all colleges were invited, was held by KPMG as part of the consultation process after the detailed fieldwork at pilot sites was concluded. The purpose of this event was to consult the sector on the emerging findings from the fieldwork and to explore their implications. Feedback from the seminar was incorporated into KPMG'S report.

17. KPMG initially provided a comprehensive and detailed written account of their work to the MRSG. Subsequently, the MRSG requested KPMG to provide a report derived from their detailed document, setting out the key findings and conclusions, together with the most significant recommendations. The KPMG report, as agreed by the MRSG, has been included in full as Annex D to this report.

National Audit Office

18. In addition to the specific remit for the review, the MRSG also took into account a recent National Audit Office (NAO) report *Scottish Further Education Colleges: Managing Costs.* In this report NAO outlined key stages of a framework for implementing good practice for benchmarking across the sector. At a meeting of the Scottish Parliamentary Audit Committee, the Council's Chief Executive and Accounting Officer undertook to address the first three stages of that framework as part of the Management Review.

19. The first two stages of the framework required the identification of critical success factors and the key processes to support these. The principle benefit of this analysis was to provide the basis for ensuring the effective targeting of activities to be benchmarked. The third stage of the framework focuses on a limited number of key processes to translate these into good practice guidance.

Other evidence

20. In addition to the study the Steering Group also took written and/or oral evidence from a number of interested parties including the following:

   ■ Association of Scottish Colleges;
   ■ Scottish Further Education Unit;
   ■ Her Majesty's Inspectorate;
   ■ National Audit Office
   ■ Educational Institute of Scotland; and
   ■ National Union of Students;

21. Where appropriate, the study has also benefited from the various facets of the work of SFEFC and its Executive. In particular, the experience gained to date by the Executive, from reviewing strategic plans, monitoring financial health and assessing colleges' estates, has helped inform the study and the proposed way ahead.

22. In addition, the MRSG was aware that the Council was developing a revised funding methodology. It was envisaged by the MRSG that the revised methodology would help to provide a more stable platform for planning. The MRSG was also aware that SFEFC had established a Strategy Committee to advise the Council on, and oversee, certain strategic developments in the sector.

Acknowledgement

23. The Council gratefully acknowledges the work of the Steering Group, KPMG, contributions, co-operation and enthusiasm shown by pilot site colleges, representative bodies and the sector generally in the conduct of this study.

PART TWO: FINDINGS AND CONCLUSIONS

Findings and Conclusions from the Study

24. An important overall message to have emerged from the study is that there is much good governance and management practice already in place in Scottish FE colleges. This was found to be the case by KPMG and also came to light in gathering evidence from wider sources. Moreover, the good practice that exists was readily apparent and did not need to be unearthed by the study.

25. This broad positive finding needs to be tempered with the recognition that all good practice will not be found in every college. The presence of much, but not all, good practice within the pilot sites leads to a general view that all colleges can learn from the good practice identified. It is concluded that there will be room for improvement in most colleges in relation to some aspects of governance and management.

26. The findings for each of the seven areas of governance and management referred to in paragraph 15 have regard to the good practice identified during the study. Accordingly, the areas of good practice relevant to further education colleges, and associated key processes for its delivery are set out at the head of each of the seven sections.

27. In considering the findings it should be borne in mind that each college will interpret the terms management and senior management with regard to the context of the management structure in place within the respective college.

Corporate Governance

Areas of good practice	*Key processes in delivering good practice*
Governance	
Boards have a clear vision for the college	**Vision formulation, articulation and dissemination**
Boards have a good mix of appropriate skills and are highly committed to the college and the students who use its services	**Recruitment and Induction procedures for Board membership and on-going training of Board members**
	Succession planning by Search committee
Boards are involved in developing a clear strategic direction with college management	**Board level strategic planning …**
Boards are active in regularly monitoring and evaluating progress against the Strategic plan objectives and targets	**… and progress monitoring**
Boards define clearly the roles and responsibilities of senior management	**Conduct of the Board and its committees, particularly the Remuneration committee**
Boards are organised and work effectively and efficiently supported by effective clerkship	**Clerking of the Board**
Boards are becoming involved in self assessment and quality assurance	**Quality assurance and assessment**

28. The importance that Ministers attach to strong and effective corporate governance has been made clear in publications, including *Opportunities for Everyone: Strategic Framework for Further Education*, and in Letters of Guidance to SFEFC. This has been further reinforced by SFEFC and by the Council's Chief Executive and Accounting Officer in evidence to the Audit Committee of the Scottish Parliament.

29. Overall the study found a high degree of commitment and enthusiasm on the part of Board members, all of whom, with the exception of staff members, are unpaid. This high level of voluntary input by Board members is to be commended. Many Boards appear to understand their role in helping to create a vision for their college and in leading jointly with the Principal, the development of the vision into strategy. There was evidence of good practice by Boards in the adoption and monitoring of

targets included in the College's Development Plan, although the need for further development in this area is also recognised.

30. The changing environment in which colleges operate means that there is an ongoing need to support Board members, helping them to understand this context from both the national and local perspectives. In addition, in refreshing the membership of Boards, it is important also that new members are trained and made aware of their role and responsibilities. The extent to which these training needs are met effectively, varies across the sector.

31. The relationships and interfaces between Boards and Principals and senior managers were, for the most part, found to be constructive and effective. However, there is evidence that Boards do not exercise fully their monitoring role with regard to the management of the college. In particular, in many cases, the management information provided to Boards had not been specified by the Board, but is that which had been provided historically. The quality and usefulness of such information also varied.

32. In terms of the conduct of business by Boards, one area in particular that needs to be developed across the sector, is that of the role of the Clerk to the Board. This was previously referred to in the National Audit Office report *Corporate Governance and Financial Management in the Scottish Further Education Sector.* In particular, the role of the Clerk as a source of impartial independent advice to the Chairman, has not been fully recognised and this deficiency must be addressed.

33. It was found that self-assessment by Boards is underdeveloped and also needs to be given greater priority. Development in this area will provide a focus for the Board to measure the extent to which the college is achieving the objectives it has set itself in its development plan. In addition, self-assessment will enable the Board to gauge itself in relation to the knowledge, skills and experience that are required of its members. This should help to ensure that the Board and Board members maintain these required attributes.

34. Student representation on Boards of Management was found to be patchy. In practice it is accepted that for a range of reasons, it is inherently difficult to achieve full participation by student representatives. However, there was a general impression that more could be done to improve this aspect by encouraging and facilitating student involvement.

Key area(s) for development

- **The need to ensure greater involvement of Board Members in the formulation of the college vision and in determining so far as possible the future agenda for the college**

- **The translation of that vision into strategic and operational plans and subsequently monitoring their implementation**
- **The need to define clearly and more fully recognise the importance of the role of the Clerk to the Board of Management**
- **The provision of structured training opportunities on an ongoing basis for Board members including induction seminars for new members and refresher/update courses for existing members**
- **The processes of guidance to Boards in self-assessment**

Strategic and Operational Planning

Areas of good practice	Key processes in delivering good practice
Strategic & operational planning	
The whole college is involved in the strategic plan, and committed to it	**The strategic planning process**
The plan sets clear strategic objectives and strategic development within the process	**Objective setting within the process**
The strategic plan includes risk and sensitivity analyses	**Risk and sensitivity management**
Operational plans derive directly from strategic plans	**The operational planning process**
Operational plans have logical timescales	**The operational planning process**
Operational plans also have Specific, Measurable, Appropriate, Relevant and Timed (SMART) targets, which link back to strategic objectives and strategies	**The operational planning process**
There is effective Management Information System (MIS) to support strategic and operational planning	**Strategic development and implementation of MIS**

35. The findings in this area need to be viewed in the context of current developments in the strategic and operational planning processes. Specifically, following a consultation exercise, SFEFC are seeking to move the production of the College 'Development Plan' into a process that is:

■ more strategically focused;
■ more relevant with effective strategic objectives
■ better co-ordinated and which integrates academic, financial and physical considerations; and
■ more relevant and therefore beneficial to the needs of colleges.

36. The pilot site colleges all had a stated vision and strategic objectives to support their achievement. There was, in some instances, a lack of clarity and linkages between the vision and strategic objectives which made the latter, to some extent, too broad brush and lacking in focus.

37. There was evidence that colleges had structures in place to ensure the involvement of staff at all levels in contributing to the strategic and operational objectives. While this is commendable, and should improve ownership of the plans, it was not widespread and further development is required.

38. Colleges need to encourage the development of a challenge culture in their planning processes through the introduction and application of more structured risk/sensitivity analysis to the assumptions that underpin the outputs of the planning process. It is critical that colleges, as a result of the planning processes, identify clearly the markets they are aiming at to satisfy and develop their products accordingly. A related issue is the need to better integrate academic, financial and physical planning considerations and the formalisation of contingency plans. The availability of relevant and reliable management information on a timely basis is key to this development. There was found to be scope for improvement in this area which needs to be addressed.

Key area(s) for development

- **The improvement of the integration between academic, financial and physical planning**
- **The development of scenario planning, risk assessment and sensitivity analysis**
- **The improvement of the relevance and linkages between vision, strategic objectives and operational plans**
- **The development of integrated performance measurement systems**
- **The need to recognise the potential future implications that developments in ICT may have on the college when preparing plans**

Quality Assurance

Areas of good practice	Key processes in delivering good practice
Quality Assurance	
Colleges are fully committed to quality	**Quality management**
There is a commitment to self-assessment	**Quality self-assessment**
Staff roles in quality are adequately defined	**Quality management**
Performance indicators are used effectively to support quality	**Performance indicator design and implementation**

39. It is encouraging that all pilot site colleges were committed to the principles of quality assurance and quality improvement. However, this commitment tends to be focused on the teaching/academic aspect of the college when it could usefully be extended to administrative and support activities. There was also evidence that the approach to quality issues needs to be more integrated and culturally embedded and not regarded as a separate task or a 'bolt-on' exercise.

40. A key driver in achieving quality improvement is to develop action plans containing clearly defined targets following a robust self-assessment exercise. Examples of this best practice were found in pilot site colleges.

41. Performance indicators were identified as being given considerable importance in the quality improvement process. This potentially important aspect has developed in colleges on a piecemeal basis. It is recognised that more time and consideration is required for SFEFC to develop in consultation with the sector a comprehensive and robust set of sector-wide performance indicators.

Key area(s) for development

- **The need for a more holistic approach to quality assurance, to include support staff, so that it is a more integral part of the management of the college**

- **The need to recognise the potential future implications that developments in ICT may have for quality assurance.**

Marketing

Areas of good practice	*Key processes in delivering good practice*
Marketing	
The marketing strategy is integral to institutional activity, not "bolted on"	**Marketing strategy formulation**
The various aspects of the marketing function are clearly linked	**Management of the marketing function**
Marketing is strongly linked with quality assessment	**Management of the interface between marketing and QA**
Effective use is made of Local Market Intelligence (LMI)	**Collection, analysis and dissemination of LMI**

42. The dynamism of the environment in which colleges operate means that an effective marketing function is critical to the continued success of colleges. It is also essential if colleges are to play a more pro-active role in local and regional economic developments and regeneration. In essence, the need for colleges to anticipate future market demands and consider strategically the potential impact of such future demands and how they might be most appropriately addressed was found to be deficient. While there was an awareness of the importance of marketing, there were areas where this function needs to be improved.

43. Against that background, it was found that marketing has tended to be regarded by colleges as more of an operational issue than a strategic one. This has led to a fragmentation of the marketing function that has meant that it has not been as co-ordinated and therefore as effective as it could have been. As a consequence, the utilisation of local market intelligence in the strategic planning process is considered to be generally poor. In addition, SMART targets were generally not set in this area.

> *Key area(s) for development*
>
> - **The recognition of marketing as a strategic function and the development of a marketing function that is comprehensive and co-ordinated**

Human Resource Management

Areas of good practice	Key processes in delivering good practice
Human Resources	
Boards are clear on their responsibility for HR management	**HR strategic planning**
HR management links directly to the strategic plan	**HR management and reporting**
Management assessment, development and succession planning	**Management development and continuing professional development (CPD) programmes are devised and implemented. Board of management participation in senior management development processes**
Appropriate investment is made in training and development	**Staff development, planning and implementation**
Staff effectiveness data is collected, utilised and acted upon	**MIS design and implementation**

44. The importance of effective management of staff resources is critical to a college's wellbeing. Typically, staff account for around two-thirds of a

college's expenditure. Sound human resource management is at the core of a people intensive organisation. It is therefore critically important that the Principal and senior management team embrace a culture of human resource management so that its principles and practices are embedded throughout the college. It is also important that the Board of Management satisfies itself that this is the case. This requires appropriate professional support. The nature and extent of such support will vary according to the individual requirements of each college and will reflect the diversity and stage of development of the sector in this area.

45. In general terms human resource management involves the definition of the roles of the Board of Management, the senior management team and line managers regarding human resource responsibilities. This should ensure that a strategic perspective is adopted and that human resource considerations are fully linked to and integrated with all other aspects of college management.

46. The structural and more mechanistic aspects of human resource management appeared to be in place and functioning adequately in practice at the pilot sites. The exception to this concerned staff review. Whilst staff assessment and development systems are in use there appears to be few formal staff appraisal systems. It is recognised that fully developing and strategically focusing the human resource management function may be subject to resource constraints. In particular, colleges may not have sufficient critical mass (in terms of staff numbers) to support a dedicated high-level strategic HR manager. A collaborative approach with other colleges in which advice and expertise is shared may be a means of resolving this constraint.

47. In recent years there has been a general trend towards improved industrial relations within colleges. However, while acknowledging that positive message, it was noted that some colleges appeared to have near intractable industrial relations problems. Clearly, it is not the role of SFEFC, nor the purpose of this report, to comment on, in detail, such matters. Nevertheless, it is incumbent on all parties involved, but particularly management, to take all reasonable steps to attempt proactively to resolve such disputes for the greater benefit of the college and its stakeholders.

Key area(s) for development

- **The need to develop an HRM culture in which all managers understand the importance of their responsibilities in this area and act accordingly**
- **The need to ensure that managers have sufficient support, guidance and training to discharge their HRM responsibilities**
- **The need to establish, operate and maintain senior management development programmes and to address strategically succession planning**
- **The need to ensure effective industrial relations are established and maintained**

Financial Management

Areas of good practice	*Key processes in developing good practice*
Financial management	
Boards are clear on their responsibilities for financial management	**Standing Orders for the Board and its committees** **Strategic financial management**
A sound financial strategy is in place to support the strategic plan	**Strategic financial management**
Annual budgets are linked to the financial strategy	**Operational financial management**
Good quality financial information, including course costing information, is provided to all users	**Financial MIS design, implementation, maintenance and development**
Financial risk management is thorough	**Risk and sensitivity management**

48. The finance function in many colleges is constrained in its role and scope, and consequently its status within the organisation is limited. The basic financial management processes are in place and appear to be functioning adequately. In particular, the revenue budgeting process and budgetary control systems were reasonably well developed across the sector. However, there were several key areas where weaknesses were identified. These weaknesses prevented Boards of Management and Principals from benefiting fully from the level of support which the finance function can bring to a college.

Key area(s) for development

- **The need to develop significantly the financial management function in the following areas:**
  – **long-term strategic financial planning**
  – **setting targets and other financial objectives**
  – **provision of timely and relevant financial information to Boards and senior management**
  – **development of management accounting to support core activities and the development of commercial activities**

Estates and Facilities Management

Areas of good practice	Key processes in delivering good practice
Estates and facilities management	
Colleges have comprehensive estates strategies tied into their strategic plans	**Estates strategy formulation**
The effective use of estates facilities is monitored	**Estates and facilities management**
Value for money in facilities management is regularly reviewed	**Facilities management**

49. The findings in this section concerning estates are made against a background in which SFEFC has commissioned a comprehensive condition survey of college estates. The survey should help to inform SFEFC funding decisions and priorities. It should also help to provide a base point for college management to address certain critical estates issues, particularly backlog maintenance and health and safety requirements as well as informing colleges' processes for determining priorities for action.

50. It was found that all colleges had developed some form of estates strategy and the condition survey should assist with formulating and evaluating options for future estates development. While accommodation surveys had been undertaken, the quality and reliability of estates information, and its use by management, was variable.

51. Facilities tended to be organised and management arrangements were found to be generally effective. It was found that the potential to improve standards of service or cost effectiveness of facilities through, for example, market testing or best value/value for money type reviews, had not been explored by colleges to any significant extent.

Key area(s) for development

- **The need for colleges to develop comprehensive and affordable estates strategies. The formulation of the strategies should take into account guidance prepared and disseminated by the Council on effective estates and facilities management**
- **The need for college's estates strategies to be underpinned by operational plans that translate broad strategic objectives into specific actions**
- **The recognition by colleges of the implications of ICT and changes in modes of delivery in relation to their future estates needs**

PART 3: THE WAY AHEAD

52. This part of the report commences with a number of actions that SFEFC is in the process of taking forward as its response to the Review. These actions reflect SFEFC's overall responsibility for this study and its outcomes as well as areas where it is able to adopt a sector wide perspective.

53. Actions to be taken by Boards of Management and Principals are expressed in Annex C in the form of Challenge Questions against which Boards and Principals are required to benchmark their respective practices. The responses to the questions will provide the basis for each college developing a Management Action Plan through which it can bring about required improvements on an ongoing basis. Accordingly, the comparison of 'current' practice should not be viewed as a one-off exercise but it is envisaged that over time it will evolve into a continuous improvement process.

Distinguishing the Management and Governance roles

54. The division of the challenge questions between those addressed to Boards of Management and those addressed to Principals recognises the fundamental differences between governance and management. The Board of Management's role is in governance. A Board therefore is responsible for setting the vision and strategic direction of a college as well as being ultimately responsible for all that takes place under the college's auspices. To fulfil its role effectively, a Board must monitor and oversee the delivery of its strategy and the stewardship of the college by the Principal.

55. The Principal's role is pivotal. He/she will be a member of the Board and in most cases will take a leading role in the development of a college's vision and strategy. As Chief Executive of a college and its designated Accounting Officer, the Principal is charged with delivering the college's strategy. The Principal also has a stewardship function that requires that he/she reports to the Board on progress with implementing strategy and in the use of the college's resources to which he/she has been entrusted by the Board.

56. While there is a clear distinction between the roles, the Board and Principal, to be effective, must work together cohesively for the good of the college. The challenge questions therefore should be approached holistically and answers will reflect the extent to which there is the necessary cohesion.

Challenge Questions

57. The challenge questions will impact differently in different colleges reflecting the sector's diversity. Local factors may mean that not all

questions are applicable to a college or that there will not be straightforward answers to some of the questions.

58. The answers to the challenge questions should be a key determinant of the forward agendas in colleges for the development of governance and management practice. Priorities for action by Boards and Principals as they attempt to continuously improve their strategies, structures and processes should be identified by this approach. In addition, by using the framework that the challenge questions provides, measuring and monitoring progress towards implementing good practice should be more straightforward.

SFEFC Action Plan

General

59. The following actions are of a general application and relate to more than one of the seven functional areas:

   ■ SFEFC will take a proactive role in obtaining Management Action Plans from colleges duly approved by Boards of Management and incorporating their response to relevant questions from Principals. These plans will be subject to periodic review and in the medium term it is envisaged that critical self-assessment and continuous improvement will become embedded within colleges' governance and management processes.

   ■ SFEFC will prepare an action plan for the development of Performance Indicators adopting the principles of a balanced scorecard approach.

   ■ SFEFC will work with the sector to develop appropriate benchmarking processes through which colleges may be made aware of emerging good practice with a view to its implementation.

   ■ SFEFC will encourage colleges to develop mechanisms to help facilitate the production of robust, reliable and relevant management information.

   ■ Colleges will be encouraged by SFEFC to consider more actively collaboration in appropriate partnership arrangements in order to help share and deliver expertise and experience more cost effectively.

Governance

   ■ SFEFC will, in consultation with the sector, seek to identify training needs for Board members and consider how such needs may be addressed by, for example, the establishment of a training programme for members of Boards of Management.

   ■ The Council will issue guidance to Boards on self-assessment.

Financial Management

   ■ Good practice in forward looking financial forecasting and reporting systems will be disseminated, with examples giving ideas for content and presentation.

   ■ SFEFC will refine and strengthen the guidance for colleges requiring to prepare recovery plans.

   ■ SFEFC, in consultation with the sector, will prepare guidance to help improve decision-making in colleges through more effective management accounting and a more informed approach to risk management.

Estates Facilities

- Once the planned survey of the further education estate is complete, SFEFC intends to provide guidance to colleges which would include guidance on estate strategies and business planning.

- In the context of these strategies, estate management performance indicators, including those for space management, will be prepared and disseminated with college management encouraged to benchmark their own performance and take appropriate action to improve the effective use of their estate.

MANAGEMENT REVIEW STEERING GROUP TERMS OF REFERENCE

The Steering Group's overall task will be to act as a Project Board on behalf of the Council in order to ensure that:

- The review remit is scoped appropriately and planned accordingly;
- The quality of outputs from the review is to an appropriately high standard; and
- The agreed deadline date for the review is delivered.

In order to fulfil its overall function effectively, the Steering Group will be required to carry out the following specific tasks:

1. Oversee and endorse a project plan for undertaking the review.
2. Monitor progress against the plan and inform Council accordingly.
3. Oversee the appointment of consultants to undertake research, fieldwork and other analyses relevant to this exercise.
4. Monitor the performance of the appointed consultants and comment on the draft outputs.
5. Finalise the review and provide advice to Council on the recommendations it should make to Ministers.

<u>Membership</u>

Name	Designation
Mr David Batty	Convenor of the Steering Group and Council member
Mr Rae Angus	Principal, Aberdeen College
Mr Bill Gold	Council member and Chairman of the Board of Management, West Lothian College
Mrs Christina Potter	Principal, Elmwood College
Professor John Sizer	Chief Executive, SFEFC
Mr James Skinner	Chairman of the Board of Management, Anniesland College

<u>Executive</u>

Liam McCabe	Project Manager and Director of Financial Appraisal and Monitoring Services, SFEFC
Jennifer McLaren	Secretary to the Steering Group and Project Coordinator
Brian Baverstock	Deputy Director of Financial Appraisal and Monitoring Services, SFEFC

12 PILOT SITE COLLEGES

Borders College

Cardonald College

Clydebank College

Dundee College

Edinburgh's Telford College

Glasgow College of Building and Printing

Glenrothes College

James Watt College of Further & Higher Education

Kilmarnock College

Motherwell College

North Glasgow College

The North Highland College (previously Thurso)

BENCHMARKING OF GOOD PRACTICE

Governance

Areas of good practice	Key processes in delivering good practice
Governance	
Boards have a clear vision for the college	Vision formulation, articulation and dissemination
Boards have a good mix of appropriate skills and are highly committed to the college and the students who use its services	Recruitment and Induction procedures for Board membership and on-going training of Board members
	Succession planning by Search committee
Boards are involved in developing a clear strategic direction with college management	Board level strategic planning …
Boards are active in regularly monitoring and evaluating progress against the Strategic plan objectives and targets	… and progress monitoring
Boards define clearly the roles and responsibilities of senior management	Conduct of the Board and its committees, particularly the Remuneration committee
Boards are organised and work effectively and efficiently supported by effective clerkship	Clerking of the Board
Boards are becoming involved in self assessment and quality assurance	Quality assurance and assessment

Challenge Questions for Boards of Management

- How and to what extent has the Board of Management formulated a vision for the college as a key player both, if appropriate, regionally and locally in the delivery of post 16 education?

- How has this vision been translated and developed into strategic and operational plans, and how does the Board envisage driving forward the process in the future?

- How is the college addressing the challenge laid down by the Minister to become more of an equal partner and key driver in economic regeneration?

- What steps have the Board taken to develop a self-assessment strategy?

- What training is available to help Board members fulfil their role? How does the Board ensure that it has within its membership the depth of expertise and mix of skills, including specialised financial knowledge?

- How is Board training co-ordinated and knowledge maintained to ensure that the Board's needs, as well as those of individual members, are addressed?

- What management information does the Board receive on the delivery of the college's strategic plan and other key aspects of the college's operations? How have the Board's information needs been specified?

- How does the Board and its committees know that they are receiving the right advice from the right people?

- How does the Board ensure that the management and committee structures and processes are appropriate to the needs of the college?

- When did the Board last review its committee structures and modus operandi? When and how frequently does it envisage undertaking such reviews?

- How and to what extent does the Board define the roles of senior managers in the college? What mechanisms are used for periodically evaluating their effectiveness?

- What formal scheme of delegation is in place from the Board to the Chairman, its Committees and the Principal?

- How are the responsibilities of the Clerk to the Board defined in your college? What arrangements are made to ensure that the Clerk's duties, in particular that of providing independent advice to the Board, are undertaken objectively and effectively?

Areas of good practice	Key processes in delivering good practice
Strategic & operational planning	
The whole college is involved in the strategic plan, and committed to it	**The strategic planning process**
The plan sets clear strategic objectives and strategic development within the process	**Objective setting within the process**
The strategic plan includes risk and sensitivity analyses	**Risk and sensitivity management**
Operational plans derive directly from strategic plans	**The operational planning process**
Operational plans have logical timescales	**The operational planning process**
Operational plans also have Specific, Measurable, Appropriate, Relevant and Timed (SMART) targets, which link back to strategic objectives and strategies	**The operational planning process**
There is effective Management Information System (MIS) to support strategic and operational planning	**Strategic development and implementation of MIS**

Key area(s) for development
• **The improvement of the integration between academic, financial and physical planning**
• **The development of scenario planning, risk assessment and sensitivity analysis**
• **The improvement of the relevance and linkages between vision, strategic objectives and operational plans**
• **The development of integrated performance measurement systems**
• **The need to recognise the potential future implications that developments in ICT may have on the college when preparing plans**

Challenge Questions for Boards of Management

- What evidence is there to demonstrate that the Board takes the lead in determining the college's strategic direction and that the Board articulates its vision effectively to all stakeholders and interested parties?

- How and at what stage is the Board engaged in your college's strategy development?

- How does the Board satisfy itself that it is approving integrated academic, financial and physical plans?

- How is the Board undertaking scenario planning, risk assessment and sensitivity analysis?

- How does the Board ensure that the targets within the operational plan it adopts are SMART, and their achievement will lead towards delivering strategic objectives? How does the Board monitor progress against targets set?

- Does the college have an integrated performance measurement system?

- How does the Board ensure that procedures are in place to obtain feedback from staff and students?

- How is the effectiveness of the different means of communication assessed?

- How does the Board and senior staff in your college translate their vision and strategic objectives into particular actions?

- What is the process for authorising initiatives which are not included in the plans, and on what basis are resources allocated to them?

Challenge Questions for College Principals

- What mechanism is in place to ensure that there is proper integration of academic, financial and physical elements in the strategic and operational planning processes?

- How do you satisfy yourself that there are appropriate linkages between strategic objectives and operational plans?

- How do you ensure that departmental and individual objectives are consistent with the development plan?

- In what way does your college encourage the development of a challenge culture in the college's planning processes in which key assumptions underlying the plans are tested? How is risk assessment, sensitivity analysis and scenario planning applied to both strategic and operational plans?

- How and to what extent are ICT developments addressed in the planning process?

Quality Assurance

Areas of good practice	Key processes in delivering good practice
Quality Assurance	
Colleges are fully committed to quality	Quality management
There is a commitment to self-assessment	Quality self-assessment
Staff roles in quality are adequately defined	Quality management
Performance indicators are used effectively to support quality	Performance indicator design and implementation

---

Key area(s) for development

- **The need for a more holistic approach to quality assurance, to include support staff, so that it is a more integral part of the management of the college**

- **The need to recognise the potential future implications that developments in ICT may have for quality assurance**

Challenge Question for Boards of Management

- How does the Board satisfy itself that the college has an holistic approach to Quality Assurance?

Challenge Questions for College Principals

- When last did your college review its quality structures, roles and responsibilities and lines of communication? How frequently are such reviews carried out and to what extent are ICT developments addressed as part of this review process?

- What mechanisms are in place at your college to exchange aspects of good practice with the rest of the sector?

- To what extent does your college have annual target-setting for quality assurance and improvement and does this extend beyond academic areas into support services?

- In what ways has your college considered how its quality assurance documentation for staff could be made more user friendly?

- What links are there in your college between quality assurance, staff development needs and overall human resource planning?

Areas of good practice	Key processes in delivering good practice
Marketing	
The marketing strategy is integral to institutional activity, not "bolted on"	Marketing strategy formulation
The various aspects of the marketing function are clearly linked	Management of the marketing function
Marketing is strongly linked with quality assessment	Management of the interface between marketing and QA
Effective use is made of Local Market Intelligence (LMI)	Collection, analysis and dissemination of LMI

Key area(s) for development

- **The recognition of marketing as a strategic function and the development of a marketing function that is comprehensive and co-ordinated**

Challenge Questions for Boards of Management

- To what extent is marketing recognised as a strategic function in your college?

- What steps does the Board take to satisfy itself that the marketing strategy is appropriate and consistent with the needs of the college?

- How does the Board ensure that major new opportunities are identified and acted upon?

- How does the Board monitor the effective implementation of the marketing strategy?

Challenge Questions for College Principals

- How are you ensuring your marketing function is implementing the key processes for delivering good practice identified in the report?

- How do you satisfy yourself that the college's marketing plan is sufficiently strategic and comprehensive? To what extent does the marketing plan draw together the various strands that influences an individual's choice about, and experience in the college?

- What evidence, including local market intelligence, is used in the strategic planning process?

- What targets are set with regard to the marketing function? To what extent are these targets SMART?

Areas of good practice	*Key processes in delivering good practice*
Human Resources	
Boards are clear on their responsibility for HR management	**HR strategic planning**
HR management links directly to the strategic plan	**HR management and reporting**
Management assessment, development and succession planning	**Management development and continuing professional development (CPD) programmes are devised and implemented. Board of management participation in senior management development processes**
Appropriate investment is made in training and development	**Staff development, planning and implementation**
Staff effectiveness data is collected, utilised and acted upon	**MIS design and implementation**

Key area(s) for development

- **The need to develop an HRM culture in which all managers understand the importance of their responsibilities in this area and act accordingly**
- **The need to ensure that managers have sufficient support, guidance and training to discharge their HRM responsibilities**
- **The need to establish, operate and maintain senior management development programmes and to address strategically succession planning**
- **The need to ensure effective industrial relations are established and maintained**

Challenge Questions for Boards of Management

- How does the Board satisfy itself that the college has appropriate Human Resource Management strategies, policies and culture?

- How does the Board make itself aware of the state of industrial relations within the college?

- How does the Board satisfy itself that industrial relations issues are given proper attention and handled appropriately?

Challenge Questions for College Principals

- What is the college's approach to the management of human resources? How does it review the effectiveness of its existing arrangements on an ongoing basis?

- How does the college ensure that its approach to HRM is communicated to and understood by all managers? How are managers supported to help them deliver their HRM responsibilities?

- What arrangements does the college have in place with regard to succession planning?

- What programmes or initiatives are in place for developing senior managers and to what extent is this geared towards succession planning?

- To what extent does your college share professional HR advice and expertise with other colleges?

- What management information does the college use to measure the effectiveness of staff and with what outcomes?

- Has your college developed standard human resource management reports? To whom are they circulated and with what frequency? To what extent do these reports assess performance against measurable targets?

- How does your college identify staff training needs and how are these needs translated into action? How frequently is such an exercise undertaken and what staff are covered by this process? How does the college ensure that training provided is consistent with the college achieving its strategic aims?

- How is the relevance and appropriateness of your college's HR policies and procedures maintained? To what extent does your college collaborate with other colleges when undertaking this process?

- What arrangements are in place to ensure that college management are aware of issues that may impact on staff performance? Through which channels can staff raise issues, including minor issues, which may impact on their performance?

- What mechanisms are in place to ensure that industrial relations are effective?

Areas of good practice	Key processes in developing good practice
Financial management	
Boards are clear on their responsibilities for financial management	Standing Orders for the Board and its committees Strategic financial management
A sound financial strategy is in place to support the strategic plan	Strategic financial management
Annual budgets are linked to the financial strategy	Operational financial management
Good quality financial information, including course costing information, is provided to all users	Financial MIS design, implementation, maintenance and development
Financial risk management is thorough	Risk and sensitivity management

The report identified the following key area(s) for development

- **The need to develop significantly the financial management function in the following areas:**
    - **long-term strategic financial planning**
    - **setting targets and other financial objectives**
    - **provision of timely and relevant financial information to Boards and senior management**
    - **development of management accounting to support core activities and the development of commercial activities**

Challenge Questions for Boards of Management

- How is the Board ensuring the college is developing its financial management function in the following areas:

    - long-term strategic financial planning?

    - setting financial targets and other financial objectives?

    - provision of timely and relevant financial information to Boards and senior management?

    - development of management accounting to support core activities and the development of commercial activities?

Challenge Questions for College Principals

- How and to what extent has your college developed a process for long-term financial planning? How is the financial plan properly integrated with other planning considerations?

- What measurable financial objectives have been set? To what extent are they consistent with those in the college development plan? How frequently are these objectives monitored and reviewed?

- To what level does your college devolve budgets and what link is there between activity and resource allocation?

- How are the needs for financial information to be provided to Boards of Management and to the Principal identified? How is the usefulness, user friendliness and effectiveness of current financial information to its recipients evaluated and assessed so that it continues to be relevant?

- How was the structure of your finance department determined? When was the structure last reviewed? To what extent do you consider that it is appropriately structured and resourced to satisfy the needs of the college in the medium-term?

- To what extent has your college collaborated with other colleges to pool expertise, particularly in the event of a contingency arising?

- What developments have taken place or are envisaged to develop or enhance the college's management accounting function to help inform decision making in areas such as commercial development?

- What steps are in place to ensure that good quality financial information, including course costing information, is provided to all users?

Areas of good practice	*Key processes in delivering good practice*
Estates and facilities management	
Colleges have comprehensive estates strategies tied into their strategic plans	**Estates strategy formulation**
The effective use of estates facilities is monitored	**Estates and facilities management**
Value for money in facilities management is regularly reviewed	**Facilities management**

Key area(s) for development

- **The need for colleges to develop comprehensive and affordable estates strategies. The formulation of the strategies should take into account guidance prepared and disseminated by the Council on effective estates and facilities management**
- **The need for college's estates strategies to be underpinned by operational plans that translate broad strategic objectives into specific actions**
- **The recognition by colleges of the implications of ICT and changes in modes of delivery in relation to their future estates needs**

Challenge Questions for Boards of Management

■ How is the Board in a position to satisfy itself that the college has a comprehensive and affordable estates strategy?

■ To what extent is the college's estates strategy properly integrated with the college development plan and the college's strategic planning objectives?

Challenge Questions for College Principals

■ To what extent is the college's estates strategy integrated with the college development plan and the college's strategic planning objectives?

■ To what extent is the college's estates strategy underpinned by operational plans that translate broad strategic objectives into specific actions?

■ Has the estate strategy been developed following a full option appraisal and has the preferred option been fully costed and affordable?

■ How is the college addressing and developing solutions for its major health and safety issues?

■ When did the college last update its estates strategy and how does it address the potential impact that developments in ICT may have on future estates demands and needs?

■ To what extent has your college contemplated or undertaken a best value or similar type review in relation to facilities and maintenance management, cleaning and catering?

REPORT BY KPMG