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13 July 2023

Dear Convener,

Thank you for your letter, dated 30 June 2023, following up matters which were raised at my appearance before the Education, Children & Young People Committee, on 21 June 2023.

In your letter, you asked for information around the timetable and costs of the Scottish Education Exchange Programme, as well as an assurance that the Scottish Government would be making regular contact with the Welsh Government.

I can confirm that over the summer, my officials will work with stakeholders to co-design a Scottish Education Exchange Programme pilot which will launch in 2023-24. As this work will be under development over the summer I will be able to share more information on the details of costings and timings in due course for the Committee's consideration.

Scottish Government officials will also continue to meet monthly with their Welsh counterparts to discuss all aspects of mutual interests, including mobility and exchange programmes. They will also engage with Cardiff University's Taith team at appropriate stages in the programme development.

You also raised some issues around colleges' financial flexibilities and staff pay and conditions and governance issues

For the next academic year, 2023-24, the Scottish Funding Council (SFC) has introduced a new funding distribution model and associated credit guidance. This provides colleges with enhanced flexibility and greater opportunity to decide how best to respond to local, regional and national needs.

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The key change is to remove credit targets and introduce the concept of a credit threshold to which colleges must deliver to avoid funding recovery. This is the first step towards a more dynamic funding model. At the same time, the SFC has increased the credit value to ensure that, for a lower number of credits, colleges receive the same level of funding. Because colleges will be receiving the same level of funds to deliver to a lower threshold, colleges may choose to deliver activity above their credit threshold to meet the needs and interests of potential and current students, and employers in their region.

The SFC has also maintained the 2% tolerance for under-delivery of credits and aligned the “required date” with that for universities. This means that colleges can now claim credits for full-time students on courses lasting over 20 weeks if the student is still in active learning after 5 weeks from the course start date. For shorter courses, the required date continues to be after a quarter of the course has been delivered. Across the sector this equates to an estimated further flexibility of 35,000 credits.

Finally, recognising that colleges will bear an element of semi fixed costs even when credits are not delivered, SFC has decoupled 20% of the value of those credits to recognise that sunk cost. Therefore, when considering potential recovery in respect of under delivery against credits, they will discount any recovery by 20% to reduce planning volatility.

Looking at the longer term, government officials have been exploring the available fiscal flexibilities within Office of National Statistics (ONS) restrictions with the Scottish Funding Council, particularly around year-end flexibility (rolling over surpluses into future years) and the ability for colleges to retain the receipts from asset disposals.

Discussions are underway to consider how any carry forward of surpluses might need to be considered in the context of the fiscal framework. I met with representatives from the SFC and Colleges Scotland on 28<sup>th</sup> June to discuss in more detail what the challenges and opportunities are around offering flexibilities.

The report from The Review of the Skills Delivery Landscape made a number of recommendations relating to funding that could benefit Scotland’s colleges, which we have already accepted in principle; including the development of a new model of public funding for all forms of provision, including apprenticeships. As scoping work is taken forward, we will work closely with colleges and wider stakeholders to understand if there are steps we can take that can support operational flexibilities within the current financial envelope.

On staff pay and conditions, the SFC’s Financial Memorandum (FM) sets out the formal relationship between SFC and colleges and the requirements with which they must comply as a term and condition of grant from SFC. This includes that colleges comply with the requirements of the Scottish Public Finance Manual, including requirements for obtaining approvals for voluntary severance schemes and settlement agreements. As part of this, colleges are aware that the policy of no compulsory redundancies is a key pillar of Public Sector Pay Policy which colleges are expected to adhere to, though they are responsible for negotiating their own NCR policies with the unions on behalf of their workforces.

It is the responsibility of boards of management that colleges plan and manage their activities to remain sustainable and financially viable, with sufficient long-term planning in place to ensure that workforce levels match the financial capacity of the college. However, SFC requires assurance that any compulsory redundancies are a last resort and colleges must notify SFC of such intentions.

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Colleges are not included in the list of public bodies to which Public Sector Pay Policy (PSPP) directly applies, rather PSPP acts as a benchmark for colleges. This is reflected in the Financial Memorandum between the Scottish Funding Council (SFC) and colleges which states that colleges must have regard to PSPP. A National Bargaining framework has been implemented in the college sector. Pay and terms and conditions of employment for College staff are negotiated by the National Joint Negotiating Committee (NJNC) ([NJNC Website](#)). The NJNC is the established forum for employers and trade unions jointly agreeing these issues. The relationship between recognised trade unions and colleges is underpinned by a National Procedures and Recognition Agreement ([National Procedures and Recognition Agreement](#)).

As you indicated in your letter I will revert to the committee at a further date on the future governance of Lanarkshire and Glasgow colleges.

**GRAEME DEY**

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