



The Scottish Parliament  
Pàrlamaid na h-Alba

Sue Webber MSP  
Convener  
Education Children and Young People  
Committee

**Public Audit Committee**  
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Dear Convener,

## Scotland's colleges 2023

At its [meeting on 26 October 2023](#), the Public Audit Committee (the Committee) heard evidence from the Auditor General for Scotland (AGS) on his [briefing on Scotland's colleges 2023](#). The Committee heard further evidence in the form of a roundtable evidence session with stakeholders on [30 November 2023](#) and from the Scottish Government and the Scottish Funding Council (SFC) [at its meeting on 11 January 2024](#).

The Committee considered follow-up written evidence from the [Scottish Government](#) and the [SFC](#) at its meeting on 25 April 2024 and agreed to write to the Education, Children and Young People (ECYP) Committee to highlight key issues arising from its scrutiny that may be of relevance to your future work, and in doing so, close its scrutiny of the briefing.

## Financial sustainability

The AGS's briefing states that risks to the financial sustainability of the college sector have increased since his [last briefing in 2022](#). The briefing also states that more

colleges reported an adjusted operating deficit in AY 2021-22 than in AY 2020-21. During evidence an Audit Scotland official confirmed that nine colleges returned an operating deficit in AY 2021-22, compared to three the year before. The Committee also heard from the Principal of Glasgow Kelvin College, representing the College Principal's group that—

“Colleges and the college sector, as they are just now, are certainly not sustainable.”

In advance of the evidence session on 11 January 2024, the [SFC provided a written submission](#) which stated—

“Some of the key findings from our most recent analysis include:

- a. The financial position of colleges continues to deteriorate, with the sector forecasting an adjusted operating deficit of £27.2m for 2022-23.
- b. An increased number of colleges are forecasting adjusted operating deficits in 2022-23 with further substantial adjusted operating deficits projected in the next three years.
- c. Colleges remain highly reliant on SFC grant which is expected to remain at 78% of total income across all forecast years.”

The AGS's briefing states that the SFC has introduced a new funding distribution model and associated guidance for AY 2023-24. This is to provide colleges with enhanced flexibility and greater opportunity to decide how to best respond to local, regional and national needs. The Committee explored the new funding distribution model with the SFC at its meeting on 11 January 2024. Following the meeting, the Committee [wrote to the SFC](#) seeking further detail on the practical impact of the new funding distribution model and how it will help resolve the financial position of Scotland's colleges.

**The Committee draws your attention to the [response from the SFC](#), which sets out information on its funding distribution model, to help inform your future scrutiny of Scotland's college sector.**

### **Rising staffing costs**

Key message 1 one of the briefing states that rising staffing costs are colleges' biggest financial pressure. The briefing states that staff costs accounted for around 70 per cent of the sectors expenditure in AY 2021-22, and that colleges have already sought voluntary redundancies to reduce their staff costs. The briefing notes that the SFC has reported that there were no compulsory redundancies during AY 2021-22, however it goes on to state—

“Some colleges anticipate the need for further, significant staffing reductions which could severely erode their ability to deliver a viable curriculum.

During evidence the Committee heard from Unison that—

“Severance is at an all-time high and is increasing, and compulsory redundancies are on the table in some places. That demonstrates the financial pressures that colleges are under.”

The Committee also considered the SFC’s report on the [Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26](#), which states that there is an expected reduction of 2,387 full-time equivalent staff over the period of the report. The Scottish Government’s Director-General Education and Justice commented—

“Our expectation would be that, working with colleges, they will continue to do that and to look at different ways in which they provide their offer and deliver. That is about how education is provided, and about looking at the courses that colleges offer and whether all of them meet the needs of learners and the local economy.”

**The Committee draws your attention to the potential impact of staff reductions on the ability of colleges to deliver a viable curriculum that meets the needs of students and local communities.**

## **Responding to local demand**

Key message 1 in the AGS’s briefing states that colleges are vital to learners and local communities.

During evidence, the Committee heard from Colleges Scotland that—

“Colleges have always engaged with businesses in looking at curriculum development in order to ensure that people who come through a particular course are work ready.”

The Committee explored how, in the face of current financial challenges and potential staffing reductions, colleges would be able to continue to meet the needs of their students and local communities. The Director-General Education and Justice responded—

“Obviously, decisions about the curriculum, staffing and how that is organised are taken by individual colleges. We would not dictate which courses colleges should prioritise over others. It is clear that they will do that in engagement with local businesses, the regional boards and so on”.

The SFC went on to state—

“The mix of provision in a college is particular to that college’s region. It will have been based on what a college has provided historically; however, as a college has developed relationships with local employers and schools, it will

have shifted some of its provision, to adapt and adjust it to the regional needs that it has found.”

Following the evidence session on 11 January 2024, the Committee sought additional information from the SFC on how Scotland’s colleges are being supported to help meet the current needs of students and employers in their local communities while awaiting the Scottish Government taking over national responsibility for skills planning.

**The Committee draws your attention to the [response from the SFC](#), which sets out information on the support provided to colleges to enable them to respond to local, regional and national priorities, which may help inform your future scrutiny of Scotland’s college sector.**

### **The college estate**

The AGS’s briefing states that without investment in maintenance, “colleges risk their estate becoming a worsening environment for learning”. The AGS’s [Scotland’s colleges 2022 briefing](#) noted that capital funding for the college sector was £321 million short of requirements for lifecycle and backlog maintenance and that capital funding from the Scottish Government, administered through the SFC, had consistently fallen short of the levels needed. These are issues that have been repeatedly highlighted by the AGS in previous reports on Scotland’s colleges.

During the roundtable evidence session, the Committee heard from the Education Institute of Scotland that—

“Lecturers cannot deliver quality learning and students cannot learn in any sort of quality way in substandard or unsafe environments. That just cannot happen.”

The SFC also confirmed that it would publish its College Infrastructure Strategy in late Spring 2024. The Committee understands this is now available on the [SFC’s website](#). The Committee also heard from the SFC that the Scottish Government’s Infrastructure Investment Plan (IIP), due in Autumn 2024, will identify—

“...infrastructure investment need, which includes investment for net zero, RAAC, training equipment and digital needed for a sustainable college estate to deliver the desired outcomes for students, staff, and communities.”

**The Committee remains concerned about the college sectors ongoing backlog of maintenance and repairs and draws your attention to the Scottish Government’s forthcoming Infrastructure Investment Plan (IIP). The Committee suggest that you may wish to consider the extent to which the IIP delivers a sustainable college estate as part of your future scrutiny of Scotland’s college sector.**

Finally, following the evidence session on 11 January 2024, the Committee wrote to both the SFC and the Scottish Government to impress upon them the need for more urgency with any forthcoming changes or reforms that are planned for Scotland's college sector. The Committee believes this is required to provide more clarity to the sector in light of the significant changes that lie ahead.

Yours sincerely

**Richard Leonard MSP,  
Convener**