Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

23 December 2024

Richard Leonard MSP
Convener
Public Audit Committee
The Scottish Parliament
Edinburgh
EH99 1SP

Dear Convener,

Follow-up to the Public Audit Committee and request to clarify official record

I was pleased to provide evidence to the committee on 28 November 2024, on behalf of the Scottish Funding Council (SFC) in relation the committee's work on 'Scotland's colleges 2024'.

I am writing to you regarding two matters. First, we agreed to follow-up with further information regarding the number of staff leaving the sector through voluntary severance, split by teaching and non-teaching staff. Secondly, I would like to provide clarification on the latest forecasts from colleges which were discussed at the committee.

Breakdown of teaching/non-teaching staff leaving via voluntary severance

Audit Scotland's "Scotland's Colleges 2024" report states that in 2022-23, 496 staff left through voluntary severance across 14 colleges. I can confirm that of this number, 358 were teaching staff and 138 were non-teaching staff.

It is a requirement of SFC's severance guidance, and our Financial Memorandum, that colleges must seek prior SFC approval for any new voluntary severance scheme or any change to a previously approved scheme. In the context of the Scottish Public Finance Manual (SPFM), our focus is ensuring value for money and other aspects such as following rules on conditions of payment.

Feedback from colleges indicates that they are taking a holistic approach to voluntary severance schemes, balancing student demand and the student experience. We are working with the sector to formally update our voluntary severance guidance so that college leaders will have to assure us about the effect on course provision of the range of changes they make in their staff base. This change is intended to strengthen safeguards and protect learners.

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College sector financial forecasts 2024-25

I would like to expand on the exchange during the committee session about college forecasts for 2023-24 by providing some important context on forecast information and clarifying the position about colleges forecasting deficits.

During the session, there was some discussion about the accounting term ‘adjusted operating deficit’ and I thought it might be helpful to provide further explanation. If a college has a shortfall between income and expenditure it will be operating in deficit. As required by the FE/HE Statement of Recommended Practice, adjustments are made to the operating position to arrive at an adjusted operating position which allows for non-cash adjustments and other material one-off or distorting items. This adjusted operating position gives a more informative view on the underlying operational strength of the institution. In this respect, it is important to point out that in many circumstances deficits can be planned and managed. It is where deficits become recurring or growing that institutions must take action to bring income and expenditure back into balance over the forecast period.

We also talked about the number of colleges forecasting deficits. During that exchange we confirmed that 18 colleges are forecasting deficits. However, we should also have made clear that only 13 colleges are forecasting that they will be in a worse position than the previous year. I should also remind you that forecasts are fluid and may be subject to change, either as a result of macroeconomic changes or mitigations carried out.

I trust this information is helpful and please do let me know if there is anything further that I can assist with.

Yours sincerely,

Martin Boyle
Interim Chief Executive