OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit Committee

Thursday 3 October 2024

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Thursday 3 October 2024

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PUBLIC AUDIT COMMITTEE
25th Meeting 2024, Session 6

CONVENER

*Richard Leonard (Central Scotland) (Lab)

DEPUTY CONVENER

*Jamie Greene (West Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
James Dornan (Glasgow Cathcart) (SNP)
*Graham Simpson (Central Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyle (Auditor General for Scotland)
Mark MacPherson (Audit Scotland)
Tricia Meldrum (Audit Scotland)
Shelagh Stewart (Audit Scotland)

CLERK TO THE COMMITTEE

Lynn Russell

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Public Audit Committee

Thursday 3 October 2024

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Richard Leonard): Good morning. I welcome everyone to the 25th meeting in 2024 of the Public Audit Committee. We have apologies from James Dornan.

Agenda item 1 is a decision on taking business in private. Does the committee agree to take agenda items 3, 4 and 5 in private?

Members *indicated agreement.*

"Scotland's colleges 2024"

09:00

The Convener: Agenda item 2 is consideration of the Auditor General for Scotland's briefing on "Scotland's colleges 2024". We are joined this morning by our witnesses: Stephen Boyle is the Auditor General for Scotland and, from Audit Scotland, we have Mark MacPherson, audit director; Tricia Meldrum, senior manager; and Shelagh Stewart, audit manager. You are all very welcome.

We have a number of questions to put to you, but first of all, I invite the Auditor General to make an opening statement.

Stephen Boyle (Auditor General for Scotland): Thank you, convener, and good morning, committee.

I am pleased to present my latest briefing on Scotland's colleges. Colleges are, of course, vital to students, their local communities and the country's wider economy. For a number of years, we have highlighted risks to the financial sustainability of the college sector, and the scale of financial challenge has increased since our briefing last year.

Grant funding from the Scottish Government through the Scottish Funding Council accounts for around three quarters of the college sector's total income. Scottish Government funding for the sector has remained static in cash terms for three consecutive years—from 2021-22 to 2023-24—with a cash-terms reduction of £32.7 million in this year's budget. That equates to a real-terms reduction of 17 per cent in funding over the period.

Staff costs account for around 70 per cent of colleges' total expenditure. Scotland's colleges are making redundancies to reduce their costs, but funding those departures also represents a further short-term financial pressure. In 2022-23, just under 500 staff left colleges under voluntary severance arrangements, at a cost of just over £12 million.

Colleges are responding to the financial challenges that they are facing in different ways, including the implementation of financial recovery plans to reduce their cost base, and our briefing gives some examples of the steps that they are taking. However, colleges and the Scottish Funding Council are becoming increasingly concerned about cash balances in the sector and what that means for the liquidity of individual colleges. Those financial challenges mean that colleges are facing difficult choices around the curriculum that they provide, the workforce that they employ and the use of their land and buildings.

To help them better plan for and target that reducing funding, Scotland's colleges need more clarity from the Scottish Government on the aspects of their wide-ranging roles and responsibilities that they need to prioritise. I have also highlighted that the Scottish Government has made limited progress on implementing the reform of the post-school skills sector in the country. Groups have been established to take forward reform and the Scottish Government is developing an overall plan, but what is expected both in the short term and in the longer term is not yet clear. Progress in taking forward recommendations on regional arrangements, for example, has also been slow. Consultation relating to the Lanarkshire and Glasgow regional arrangements closed in September 2024, but that was four years after the Scottish Funding Council recommended changes.

The lack of progress on reform, as well as the need for clearer priorities, is causing continuing uncertainty and making it more difficult for colleges to plan effectively. I have made recommendations that should provide colleges with a clearer basis for planning for financial sustainability.

As ever, my colleagues and I look forward to answering the committee's questions.

The Convener: Thank you very much indeed.

I will begin by asking a question for information. I want to get an understanding of why the annual audit reports of a number of colleges—University of the Highlands and Islands colleges and Forth Valley College, I think—are not included in the report. Are there reasons for that?

Stephen Boyle: You are right, convener. For the record, our report covers the incorporated colleges in Scotland. At exhibit 1 in the report, we set out the colleges that are included in my responsibilities for appointing auditors. There are a further handful of unincorporated colleges for which I am not responsible, and, traditionally, we have not included those. Specifically, six sets of college accounts were not available for us to draw on their overall results to inform this year's briefing paper. As you mentioned, those colleges are Forth Valley, Inverness, Lews Castle, Moray, North Highland and Perth. A number of those are subject to the University of the Highlands and Islands college auditing appointments and arrangements. There have been some delays in the completion of the audits for those colleges.

It is also fair to say that it has been a challenging year for the completion of the audit and the preparation of the accounts. I will highlight a couple of factors, and Mark MacPherson may want to say more. This is the first year of the audit rotation and appointment arrangements. That always requires a little more investment from the finance teams and the auditors. Part of the raison d'être for the rotation is to allow a fresh pair of eyes from the auditors. That brought in some delay. For finance teams and auditors, there are also elements around capacity to allow for the completion of the audits.

However, perhaps one of the most significant factors is that, as there are delays, new information becomes available about the finances of a college, which the auditor has to take a second look at. I refer specifically to pension arrangements. When new pension information, which is always a complex area, comes into play, the auditor is required to spend more time on making an assessment of that new and material piece of information.

Mark can say a bit more about the very latest position, but we are approaching the end of any outstanding information and I have alluded to our expectation that the process will be much more straightforward next year.

Mark MacPherson (Audit Scotland): Since we prepared the briefing, we received a further two annual audit reports very recently, and we are considering those as we would normally do, to see whether there are any issues to bring to the Auditor General's attention on which he might want to prepare any further reporting. I hope that we will receive the other four annual audit reports some time this month. I think that that is where we are.

It is worth saying that we are still confident that the key messages in the report stand up using the 14 colleges and without the remaining six.

The Convener: I understand that. On a separate point—I think—one thing that came out of the evidence that we took last year was that the Scottish Funding Council appears to hold a risk register, and the committee believed on the basis of a source of ours that five or six colleges could be coded black—that is, as having significant cash-flow problems. Do you have any update on that picture?

Stephen Boyle: I will bring in the team in a minute. Mark MacPherson may be able to say more, and perhaps Tricia Meldrum will supplement that. We absolutely know that some colleges are experiencing financial challenges. We are not just waiting for the Scottish Funding Council's position statement on that, which will probably come in the next few months; we have seen through our own audit work that liquidity challenges and financial planning risks are writ large across a number of colleges in the sector. That allowed us to arrive at our overall position.

Mark can touch on this, but we have not looked to extract that information from the funding council and then reflect it in our report. The information is held by the funding council and I anticipate that it will want to bring it into the public domain with the right caveats.

I am being somewhat cautious because the position can change. To an extent, colleges operate in a quasi-commercial environment, which means that they are not just public bodies that spend money and then report it. There is a growing sense of caution about homing in on an individual college's financial results, given that colleges can operate in a commercial environment to bring in income. We are cautious about the range of factors. I expect that it is a judgment for the Scottish Funding Council to make, and I am sure that it will present that in due course.

Mark MacPherson can say more about some of the interaction that we have had, if that is helpful.

Mark MacPherson: I do not really have a lot to add; the Auditor General covered most of the points that I intended to make about variability and the fact that things can change over time.

For a long time, a small number of colleges have been under higher levels of engagement—that is how the Scottish Funding Council tends to describe it. We continue to work with the funding council, but it will be better placed to tell you how many colleges, and which, are subject to that.

The Convener: We may well ask the funding council about that. I am surprised about that, given that the Public Audit Committee took evidence last year about that risk register existing and there being between four and six colleges on it, which is quite a substantial proportion. That is against the background of your reporting that there have been quite significant real-terms reductions to college budgets. Last year, you identified a trend of a growing number of colleges that are in a precarious financial position. Why are you not in regular liaison with the Scottish Funding Council to get an up-to-date picture of the risk register?

Stephen Boyle: I will bring in Mark MacPherson in a second, but I assure you that we are in regular liaison with the Funding Council. It can give the most up-to-date position, but it remains the case that there are slightly more than a handful of colleges in Scotland that the Funding Council considers to be on its highest level of engagement because of their financial position and liquidity challenges. There is consistency between what we set out in our report and the Funding Council's understanding of the challenges that the sector and individual colleges face, but I cannot give you today the itemised list of which colleges are involved.

Mark MacPherson: I can say a little bit more, but I am very cautious about saying it because things can change very quickly. Based on the latest information, we understand that there are four colleges with which the Funding Council is in higher levels of engagement, but, as I said, that can change, so I am very cautious about saying that.

The Convener: We have more questions about funding. I will bring in the deputy convener to pursue some of those lines of inquiry.

Stephen Boyle: My apologies, convener. I want to put on the record that the Funding Council is having higher-level engagement with six colleges, not four. I apologise for interrupting.

The Convener: No—thank you for correcting the record.

Jamie Greene (West Scotland) (Con): Good morning, Auditor General and guests. The college sector is very important to the experience of young people in Scotland, workers and the general wider economy. You highlighted that very well in your report.

I want to drill into the meat and bones of the numbers and the state of the funding. I will use the word "crisis", but I will leave it to others to use their own language.

In your opening statement, Auditor General, you mentioned that we have had three years of cash freeze and, this year, a reduction in funding, which equates to an overall reduction of 17 per cent in real terms. I want to tease out what you think the effect of that has been. I have not been on the committee for long, but that issue has been raised by Audit Scotland for a number of years. My impression is that it is not a new problem and that it seems to be getting worse.

Stephen Boyle: I am happy to talk about that. I draw the committee's attention to exhibit 2 on page 8 of the report, where we set out the cash and resource funding that the sector has received from Scottish Government budgets during the past four financial years. It illustrates the point that you made in your question. There has been flat cash for three of those years, followed by a cash reduction, which represents a real-terms reduction of 17 per cent. You asked about the implications of that, deputy convener. I will bring in the team in a moment if they wish to develop my responses.

It has meant a number of things. If you receive flat cash and then a cash reduction, you have to manage your expenditure to maintain financial balance. Scotland's colleges are now public bodies, which means that they are not able to hold reserves in the way that they once were. Our report also addresses legacy reserve issues and arm's-length foundations, where some of the reserves were moved as part of charitable arrangements. I would be happy to come back to that during this morning's discussions.

09:15

So, colleges do not have reserves and their income is reducing, but their costs are not reducing. We have seen in the sector particularly difficult discussions with trade unions about pay arrangements, and some of those that were really stuck in the past year have made some progress. Colleges' costs are increasing by virtue of the fair pay arrangements that they now employ.

Colleges are also not immune to the wider pressures that individual households and other public bodies face, such as the prevailing rates of inflation and the cost of goods and services. As I said in my opening statement, they have had to balance their books by employing voluntary severance arrangements in the sector—500 people left employment in colleges this year—and that has wider implications for the learner experience through the breadth of courses that are now on offer.

Before opening it up to my colleagues, I will just round off by talking about the positioning of Scotland's colleges. As is regularly identified, such as through the work that Colleges Scotland did with the Fraser of Allander Institute, we can put numbers to the long-term benefits that are provided to the economy by Scotland's colleges and the people who benefit from attending a college, in the short term and throughout their working lives. Colleges have had to look this year at all the factors that they provide. There are short-term, medium-term and long-term implications for them while they manage a cost reduction programme, but, as I said earlier, one of the key points that we make in the report is that they have not had wider strategic clarity about their role from Government thus far.

I will pause there, if you are content.

Jamie Greene: I just want to summarise that. The situation is that the cash was frozen for three years and then there was a cash cut, which had an obvious effect on the day-to-day balance. Costs have increased, and there were pay awards and other general uplifts to their operating costs, so colleges clearly had to make cuts. It sounds to me as though the lion's share of those cuts were made through staffing reductions, which leads to reductions in course choice, breadth and availability.

Has any analysis been undertaken of the wider economic effect of the reduction in the number of courses? If people are not being upskilled, reskilled and trained to the levels that they used to be, that will obviously have a negative effect on the wider economy. We surely cannot lose 500 teaching staff from the college sector and see no net effect on the level of education that the colleges provide in Scotland.

Stephen Boyle: Again, I will invite my colleagues to develop my response. We have not done any analysis thus far on the short-term, medium-term and longer-term implications of members of staff leaving colleges. However, it is not too much of a stretch to recognise the point that you make that it is likely to have a bearing on course choice and learner experience. Courses not being available, people not being there to teach them and learner throughput will have implications for the experience that the college affords people and for giving them the skills to progress their career once they leave college and thereafter.

The committee will have taken a considerable amount of evidence on this point: colleges play a vital role in the local economies of the areas that they serve. Areas are also different: what might be required in an Ayrshire college will be different from what a north-east Scotland college will provide.

It is about how the choices are made about where to make cuts. Is that being done with the clarity and support that the college sector says that it needs, as well as with the advice and prioritisation that the Funding Council and the Scottish Government are providing the sector? We see a lack of clarity about the strategic positioning of colleges in playing their part to support economic development. We also do not want to lose sight of the learner experience and what that all means.

Mark MacPherson might want to develop that.

Mark MacPherson: I do not know whether I will develop it much further. The key thing is that colleges are working hard to minimise the impact on the experience for learners and on their curriculums, but that is becoming ever more difficult, given the financial pressures that colleges face. As the Auditor General said, there is a need for absolute clarity about what the top priority is for colleges to help them to make decisions about learning and the other services that they provide.

Jamie Greene: It is interesting. The college sector is quite different. Colleges obviously provide further education, but they also provide a large chunk of higher education—26 per cent of college education is higher education and 74 per cent is further education. However, the mode of attendance is different from the university sector. A large proportion of people who attend colleges are part-time students. That is reflected in, for example, the flexible workforce development fund, which is a Government intervention that sought to encourage small and medium-sized businesses to reskill and upscale their workforces. I understand that around 24,000 students participate in that programme, but that fund has been removed as well.

That all points towards a worrying picture. I certainly do not want to put words in the mouth of Audit Scotland, but I sense a frustration that the issue has been raised repeatedly over many years. We cannot just keep coming back to the committee year after year and have Audit Scotland tell us that there are real concerns about the liquidity of colleges, the level of education that they provide and the lack of strategic role that colleges play in Scotland. However, we check the *Official Report* and see that, year after year, that is exactly what the Auditor General tells us. Where do we go from here? What are Audit Scotland's recommendations?

Stephen Boyle: You are right. There has been a recurring theme of reporting from me and, in truth, from my predecessor about the growing challenge that Scotland's colleges face.

We regroup after each publication and take stock of what we published previously, the progress against our recommendations and what we see from the evidence that the auditors present to us through their annual reports. That allows us to say that the challenges are increasing and that the recommendations that we made over recent years are still valid, but there is an increasing urgency.

We recognise that the Government has been clear about its prioritisation. The programme for government has set out that the priorities are tackling inequalities and growing the economy. Colleges do both of those but that is not being translated into the Government providing clarity to help colleges to prioritise and position themselves locally and as a sector.

That is the state of play. Perhaps there are a couple of other things to mention. You mentioned the change to flexible workforce development funding. We are concluding some work on public service reform and fiscal sustainability. We will get into a bit more detail on some of the in-year budget management choices that the Government is making and will publish that next month. I look forward to briefing the committee on that. I will get into how the choices are made and the wider implications of those.

Jamie Greene: You mentioned the six colleges that are experiencing significant financial difficulties. I appreciate that you do not want to name them because the situation might change as further audits come forward or analysis is done on their finances, but it sounds as though they are in a perilous financial position. What happens when a college simply runs out of cash as a public body?

Stephen Boyle: Mark MacPherson can come in in a second. Typically, if an organisation is trading—I refer to organisations in the general sense and not specifically public bodies—the directors of the organisation have to make an assessment about its going concern status. There are clear implications for the auditors in such circumstances. How it works, in effect, is that the auditors take a view of the directors' assessment and make appropriate disclosures in the annual report and accounts, so that the directors can make confirmation to their shareholders and so forth. It is not a perfect analogy. However, in a public sector context, the concept of going concern is much more general. It does not specifically relate to the individual body; instead, it relates to the provision of the service.

We have seen over the years that there can be—I apologise for the terminology—mechanisms of government. You can change the structure of the public sector but, ultimately, the service continues. That saves the need for the directors of the public body to make going concern disclosures.

Mark MacPherson can talk more on the role of the Funding Council, if he wishes. A lot of the responsibility falls to the funder, including the engagement support that it provides the college, the adequacy of the financial plans and the role that the board and management play. There is even a route for the Funding Council to provide additional cash to the college, but there is not a lot of money in the Funding Council for it to do so. It is not sitting on pots of reserves that it can sweep in.

To all intents and purposes, the results of the financial challenges can be seen in the report: reductions in the number of courses and voluntary severance schemes to find a way to balance the books.

Jamie Greene: You can only cut so far. There must come a point when you suddenly cannot pay your bills—when you cannot operate the buildings, pay your staff, buy anything or replace anything that is broken. If that was a business, it would go bankrupt and close. I am trying to understand what happens in a public sector environment. Would the Funding Council simply loan a college cash if it had no reserves? Could a college borrow money, or would it simply have to close altogether?

Stephen Boyle: Mark MacPherson can talk about the playbook for colleges and the Funding Council in that range of scenarios. It is really challenging. They are somewhat boxed in, because, as I mentioned earlier, 70 per cent of spending is on staff costs. That is why we have seen the focus on reducing headcount as a quick way to balance the books. I will not repeat the earlier discussion, but I note that taking quick decisions to balance the books has wider implications for service provision.

I will pause and bring in Mark MacPherson to say more about the Funding Council.

Mark MacPherson: You would be looking at a hierarchy of interventions. Could a short-term injection of cash get a college back on its feet and re-establish sustainability? You would obviously be looking for some sort of recovery plan in those instances.

If that would not solve the issue, the next step would be for some of the things that the Auditor General has talked about to be considered by the Funding Council in conjunction with the Government. How could we continue to provide services? That might mean a restructuring or a temporary shift in provision or who leads on that provision. Those decisions would have to be made by the Government and the Funding Council; they are the sorts of questions that might be worth exploring.

Jamie Greene: So, one solution would be simply for the Government to give more cash to the sector.

Mark MacPherson: I think that more cash would be welcomed at any time by any public body. We know what the financial position is across the public sector in Scotland at the moment.

Stephen Boyle: It might also be worth drawing out—I will bring in Tricia Meldrum and Shelagh Stewart on this—the fact that it would not be accurate to depict the role of the Funding Council as waiting to be called on to intervene. It has been proactive, particularly in reference to the changes to the funding model that it has brought in this year and changes to the outcomes framework in the 2024-25 financial year, including obligations and mechanisms in respect of course credits, how they were linked to income and what was expected of colleges. It is fair to say—I will pause and pass to colleagues to say more about this—that there is more flexibility for individual colleges than before.

09:30

Tricia Meldrum (Audit Scotland): One risk to colleges is to do with clawback, which means that, if they do not deliver their credits target, the SFC could ask for the funding back. The SFC has implemented changes around that model to increase thresholds so that it is not such a tight target, which provides a bit of protection against the clawback of funding. The SFC has also introduced other changes to increase financial flexibility for colleges.

The changes to the outcome agreements are, again, to do with giving colleges a bit more flexibility to set their own priorities and not having such predetermined targets set by the SFC. That allows colleges to align things more with their own strategic planning. Therefore, the SFC is doing other things to support colleges through this period and is working closely with colleges, including with individual colleges where there are particular pressures.

Jamie Greene: I point members and the Auditor General to my written question S6W-30005, to which I received a response late yesterday afternoon. Ahead of today's evidence session, I asked the Scottish Government to comment on the Auditor General's report. The reply from minister Graeme Dey is quite illuminating with regard to the Government's thinking on issues that we have just talked about. In the second paragraph of the answer, the minister writes that

> "It is the responsibility of each college to manage its operations in line with"

its funding and that the Government expects colleges to "reassess" their models

> "and explore avenues for cost reduction".

However, in the first paragraph, he also says that ministers recognise the role of colleges with regard to students' development but also with regard to Scotland's economic growth. Those two statements do not exactly seem to match up, shall we say? Perhaps that is more of a comment than a question.

I might come back in later to talk about wider reform, but I am sure that other members have questions in the meantime.

Graham Simpson (Central Scotland) (Con): Good morning. I want to stick to the list of six colleges that the Scottish Funding Council is working with. Are those colleges included in the 14 colleges that you have audits for?

Stephen Boyle: I am looking to my colleagues to confirm whether we have that information, but I do not think that we have read-across between the six colleges on that list and the 14 colleges that we have audits for. I do not think that they are on that list, but that is something that I would need to take away or that we would need to discuss with the Scottish Funding Council in order to do that cross-referencing.

Graham Simpson: Are you saying that you do not know which six colleges are on the list?

Stephen Boyle: We are saying that we do not have information on whether the colleges that have missing accounts are the same colleges that are subject to high-level intervention. I am being a bit guarded. The answer is probably that they are not the same, but I do not have the precise detail to hand.

Graham Simpson: I am sorry, but I am not clear about your answer. Do you know which six colleges are on that list?

Stephen Boyle: I do not think that we know that, unless my colleagues can tell me otherwise.

Graham Simpson: Okay. So, all that you know is that there are six colleges on that list.

Mark MacPherson: It might be worth pointing out that the report is based on the annual accounts for 2022-23 and that whichever colleges we are engaged with now will potentially be in a significantly different position to the position that they were in a year ago, when the accounts were prepared. Therefore, you cannot necessarily match the two. The list of six is current and this is—

Graham Simpson: I understand, but you do not know which those six colleges are.

Mark MacPherson: No, I do not think so.

Graham Simpson: When we asked about this last year, we were not told then, either. So, you do not know. Have you asked for the list?

Stephen Boyle: I guess that that list is for a different purpose. The Funding Council will be engaging with the sector, and it will have arrangements for that.

I do not think that it changes where we are at in the work of auditors and the assessments that they make about the financial challenges that they see through their work. I expect that there will be a read across, but Mark MacPherson's point is important—there are timing differences. Events can happen quickly in the college sector. I would not want to draw any false conclusions from our judgments, which were based on information from the financial statements that were at our disposal at the end of August 2023, rather than on an up-to-date position of engagement by the Funding Council.

Graham Simpson: Have you asked for the list or not?

Stephen Boyle: We have the number, but I do not think that we have the current itemised list.

Graham Simpson: Will you ask for that list?

Stephen Boyle: We could ask for it—as could the committee, I am sure.

Graham Simpson: We could, indeed. I do not like to play a guessing game. We should know which colleges are in the most perilous state.

Stephen Boyle: It is important that necessary safeguards are recognised, in that putting such information into the public domain could have implications for a college's commercial arrangements. It is not entirely appropriate to make an equivalence with other public bodies. Colleges are competing with other organisations to generate revenue, so I can understand why there is some degree of caution over making such information public. Again, however, I am sure that it can be explored further.

Graham Simpson: Okay. You are right. I think that it needs to be explored further.

I will ask about redundancies. You mentioned that, in the year that you looked at, 496 staff left through voluntary severance schemes. Is there a breakdown of the roles of those staff—whether they are in teaching, support or other roles?

Stephen Boyle: I will bring in Tricia Meldrum to say a bit more about whether we have information on an analysis across different roles and specialisms. First, I highlight appendix 2 of today's briefing, in which we analyse the number of staff who have left individual colleges, together with the associated voluntary severance costs, for the year 2022-23. As you mentioned, just short of 500 people left college employment, at a cost of more than £12 million. Tricia can say a bit more about some of those arrangements and any further detail that we have.

Tricia Meldrum: The information is drawn from the annual accounts, which do not break the numbers down into teaching staff or support staff, so we do not have a breakdown of the roles of those 500 people.

Graham Simpson: Where would we get that information? It is quite important to know. Obviously, if they are teaching staff, that can have an impact on the curriculum. We need to know whether that continual downward spiral of staff will affect the delivery of the curriculum.

Stephen Boyle: We can look at what further information we have on whether the accounts of colleges analyse numbers by teaching staff and support staff. It is not too much of a stretch to say that that has a bearing on course provision; inevitably, teaching staff will make up the majority of that number. That has an implication for the choices that the colleges offer to learners, then wider implications for colleges' role in supporting economic activity and development in their areas.

Graham Simpson: Are you just assuming that most are teaching staff, or do you actually know that?

Stephen Boyle: As we said, we do not know the detail. However, I do not think that I take too much of a risk in saying that the number will involve a significant proportion of teaching staff and that that will have a bearing on course provision. However, we would need to get the detail—and, if we do, we will share it with the committee.

Graham Simpson: Okay. Has any analysis been done on the impact on course delivery? Have courses been cut?

Stephen Boyle: We have not done that analysis yet—that is something that individual colleges, together with the Funding Council, will need to do.

You will see that we refer in the report to the arrangements that the oversight bodies, in particular the Funding Council, deploy with regard to the voluntary severance schemes that colleges run. For example, colleges

"need approval from the SFC"

if they are looking to escalate those arrangements to a compulsory redundancy scheme. I do not know whether I would call it a safeguard, but oversight is being provided by the Funding Council.

That does not really move us away from the overall judgment that we make in the report that there is, across the piece, a lack of the clarity that would help colleges to prioritise in making some of the difficult financial decisions that they face, including on redundancy and the implications for course provision.

Graham Simpson: It sounds like we might have to follow up with the SFC about that, as well. Anyway, the committee will discuss that later.

Your report lists some colleges as examples. I am looking at information on New College Lanarkshire, on page 13, because it is in the region that I represent. It has

"a deficit ... of -£3.6 million",

which was up

"from -£1.8 million the previous year."

Your report goes on to note that

"Sixty staff left the college under voluntary severance ... at a cost of £1.2 ... million but"

that

"did not deliver the recurring savings budgeted."

I hope that I am not making too big a leap here, but is there a risk—not just at New College Lanarkshire, but at other colleges—of compulsory redundancies coming down the line if colleges find that they have not managed to make savings using the voluntary route?

Stephen Boyle: I would not want to be specific about New College Lanarkshire, as I do not have the up-to-date information on its financial projections. I will try to be quite considered in my language in response to you, Mr Simpson—

Graham Simpson: Quite right.

Stephen Boyle: It is the case across the sector that if voluntary severance arrangements or any of the other cost reduction mechanisms do not bring the colleges' expenditure and income profiles into balance, one of the tools at their disposal—subject to engagement with, and approval from, the Funding Council—would be to look at compulsory redundancies.

Graham Simpson: But that has not happened yet in any college—or has it?

Tricia Meldrum: It has not happened in the year that we were looking at, which was 2022-23, but we know that one college did implement some compulsory redundancies later than that, in 2023-24, so that is not included in the report. Following some industrial action, however, the people who were made compulsorily redundant were subsequently offered voluntary severance or reskilling and retraining for alternative posts in that college. That is the only college that we are aware of that has introduced compulsory redundancies but—as I said—those people were then reinstated or took voluntary severance.

Graham Simpson: Which college was that?

Tricia Meldrum: It was Glasgow Clyde College.

Graham Simpson: Okay.

I come back to New College Lanarkshire. In that section of the report, you say that the college is working

"with the SFC around a financial recovery plan."

Do you have any details of what that involves for that college?

Stephen Boyle: I will pass that over to colleagues who have more insight on that detail. We are just pulling ourselves together on that one.

That is something that we have seen with the Funding Council. It has a role, in such circumstances, to look at the cost base of colleges and the comparability of costs, staff numbers, ratios and so forth. It will be looking at the various arrangements in individual colleges' recommendations for how they might bring themselves back into financial balance. If we have more detail on New College Lanarkshire, Mr Simpson, we can share that.

Shelagh Stewart (Audit Scotland): We do not have any other detail on what is in the recovery plan or what the level of engagement is with regard to that plan—we just know that the college is working with the SFC.

09:45

Graham Simpson: That is something else that could be of interest, especially if there are recovery plans for other colleges. The committee might take an interest in that.

You mentioned the regional boards and the situation with the Glasgow Colleges Regional Board. I think that you said that the consultation on that closed in September. Do you know what will happen next and what the timescale is?

Stephen Boyle: You are right. My colleagues can say a bit more about what we know. Sometimes, this can be a variable process. It is for Government, together with its partners and the Funding Council, to take stock of the range of responses at the conclusion of the consultation.

Perhaps you will allow me to repeat the point that I made in my opening remarks, which is that it is taking a long time to resolve the regional arrangements in Scotland. I think that we can put to one side the regional arrangements for the University of the Highlands and Islands, which involve a different set of circumstances. However, the situation with the regional arrangements for Glasgow and Lanarkshire goes back four years to when the Funding Council made recommendations saying that those arrangements needed to be resolved.

Therefore, it is progress that the Government has now carried out a consultation, but it has taken a long time. It would be good to see that process being resolved quickly for the benefit of the colleges themselves by giving them clarity on what they are there to provide for their learners and staff. If we have more detail on the timescales, we can share that. However, as I suspected, we are not yet sighted on what will follow the consultation that closed last month.

Graham Simpson: Okey doke.

I will ask you about arm's-length foundations, because I always ask you about that. Over the years, we have seen the money that is held in those funds, as I suppose you would call them, go down quite significantly. The money has fallen from £99 million, when the funds were set up in 2014, to £12 million in 2023 and, according to you, that is forecast to drop to £9 million this year, which is 9 per cent of the original balance. Where did the money originally come from for the ALFs, and do you have a record of what colleges have applied to spend the money on?

Stephen Boyle: Mark MacPherson knows a lot of the history of the arm's-length foundations, having been involved in the matter, so I will bring him in, in a moment. On the origins of ALFs—I know that you will be sighted on a lot of this, Mr Simpson—prior to colleges becoming public bodies, they were able to hold reserves, from one financial year to the next, from the range of their trading activities and the funding that they had received over the years and accumulated, and with which they were managing their financial position and operations. The situation was broadly in that territory, without getting into the specifics of individual colleges and the sources of their revenue.

When they became public bodies, the mechanism of arm's-length foundations was established so that the money was not entirely lost to the college sector. Those were set up as separate entities to the colleges, with the charitable purpose of supporting provision of college activity. There has been a flow of money from the colleges. As you mentioned, it was £99 million in 2014, £12 million by the end of August 2023 and it is forecast to reduce further.

That trajectory is not surprising to me; broadly, we would have expected to see that money being used over the course of the past decade to support colleges and their wider activities. The money is forecast to be £9 million next year and who knows what it will be over the next few years. The money is running dry in terms of arm's-length foundations being an alternative source of revenue to support colleges' wider objectives.

That perhaps just illustrates the fact that, once you have used the money it is gone, and there is not really another mechanism for the delivery of colleges' wider activities and for reaching a stable financial position. We do not have an analysis in front of us today of what the money was used for over the piece; the arm's-length foundations' accounts will be better able to show how the colleges have discharged their responsibilities.

Graham Simpson: I will ask you a question that I have asked you before. There was some confusion around what the money is and is not allowed to be spent on. My recollection is that you were going away to get the answer to that, so I wonder whether you could put on the public record what the answer is.

Stephen Boyle: Do you mind repeating the question? Is it about what they are allowed to spend money on?

Graham Simpson: What are they allowed to spend it on?

Stephen Boyle: I will pass over to Mark MacPherson, who has the detail, but, as I mentioned in my previous answer, colleges are allowed to spend the money on delivery of their wider activities. I remember the discussion that we had about whether they could use it to fund redundancies.

Graham Simpson: That is correct.

Stephen Boyle: I will bring Mark in to be absolutely clear about our understanding of what arm's-length foundations can do, while recognising, quite reasonably, that there will be a degree of variation, depending on what their originating articles said about what individual arm's-length foundations can and cannot do.

Mark MacPherson: The Auditor General has pre-empted what I was going to say, which is that it depends on the individual ALF as to what the money is allowed to be released for. We know that, in the past, colleges have used it to fund severance arrangements, although I do not know whether that still stands. Articles could change over time, too. Unless it was specifically mentioned in any of the annual audit reports, we do not have detailed information as to what individual colleges have applied for and whether they have been successful or otherwise. The Scottish Funding Council engages more closely with colleges on the use of ALFs.

Stephen Boyle: Tricia Meldrum has a little more detail, to give the committee a flavour of what has and has not been included.

Tricia Meldrum: It is historical information from the last time that we looked at ALFs and reported on them, which was our 2019 report, but it might give you a flavour of how they have been using the money.

At that time, we reported that colleges were typically using ALF money to fund voluntary severance, capital works and investment in equipment and in digital infrastructure. That information is a few years old. We have not looked at it since then, and we do not get any of that information through the accounts or the annual audit reports, but that is just to give you a sense of how the money has been used in the past, when there was more money available in ALFs.

Graham Simpson: That is interesting because, if colleges are using ALFs to fund redundancy, at some point, that money will run out and they will not be able to fund redundancy.

Tricia Meldrum: They have been doing that this year. As I said, that is historical information from our 2019 report, in which we looked at the accounts from years prior to that.

Stephen Boyle: In today's context, we see redundancy as a mechanism to manage an acute position with regard to delivering financial balance in-year. In other settings or in a calmer environment, redundancy, which is typically voluntary, is a mechanism to support transformational change or reprioritisation.

I can see how there could be a clearer read-across, but I am saying that without seeing the detail of individual ALFs' specific articles that might show why there is a case for that money to be used to support a college's wider objectives. As Tricia Meldrum mentioned, that was the detail that we had four or five years ago. If the committee is interested, there might be a case for looking at what individual ALFs do and what they can and cannot do.

The Convener: At this point, I remind members of my voluntary register of trade union interests.

I have some questions that move us on from people who have left and who have been made redundant, to those who remain and their treatment. In your briefing, you highlight the outstanding pay dispute with support staff and the pay dispute with the lecturing staff, which has even greater longevity. I will not rehearse the politics of this point, but it has been raised many times with the Government that it stepped in with national health service staff and with teachers but seems very reluctant to step in to resolve this dispute. However, the point that you make in your briefing is about the impact that that has had on learners. Can you give us more information about your assessment of that?

Stephen Boyle: Yes, I am happy to do that. As I recall, the committee has taken considerable evidence on the matter, including round-table meetings at which you heard directly from the National Union of Students and student representatives about the impact of courses changing and of familiar staff, who learners had been receiving teaching and learning from, moving on. There has also been an impact on some wider arrangements. As I think that we mention in our report, some of the cost-saving mechanisms involve changes to childcare arrangements in college settings. Those might appear to be small savings, but they have significant implications for some individuals who are accessing Scotland's colleges.

I also highlight the role that colleges play in some of the most deprived communities in Scotland, particularly with regard to social mobility. Today's report refers to the fact that, for people in Scotland's lowest socioeconomic class, nearly half of those who went to university progressed there from one of Scotland's colleges. Therefore, the situation has far-reaching implications. There is a lack of clarity about what Scotland's colleges should prioritise in their provision—what they provide for learners and the wider economic point.

What we have not done this time, which we have done in previous reports—and elsewhere—is take an individual learner's journey perspective. We have heard the recent examples that the committee has heard about the significant personal implications that some of these changes are having on individual learners.

The Convener: It might not be your role, but perhaps you could help by pointing the committee to whose role it is to look at the equality impact of some of these cuts to courses and the types of courses that are made available. As you say, for many people, colleges are a bridge to employment, a bridge to retraining and, frankly, a bridge away from social isolation. Do you have any plans to look at that? Is it appropriate that another part of the public sector infrastructure looks at that, so that we can have a better understanding of the contraction in funding that you highlight in the briefing? It does not have an equal impact, does it?

Stephen Boyle: No, and a recurring theme of my reporting over the past few years has been about knowing the wider implications of changes in funding revenue streams before the decisions are taken. This goes back to the Covid era and, unfortunately, it continues, because we are still seeing examples of funding changes where an equality impact assessment has not been routinely considered beforehand. As I alluded to earlier, we will be reporting further on that situation next month, although not specifically in relation to colleges.

Particularly with regard to these funding circumstances, we expect decision makers to know the implications of changes to funding when they take those decisions. However, at the moment, colleges are having to make decisions at pace to deliver a bottom line. That will rub up against the time and space that they have to make those decisions. They have a financial imperative to deliver and, regrettably, that is competing against and has implications for some of the wider aspects of their role.

The Convener: The job evaluation exercise for support staff who are employed in Scotland's colleges is also delayed. Can you give us an update on where that sits? Do you have a view on why it has been so slow to bring that to fruition, and what are the cost implications?

10:00

Stephen Boyle: I will bring in colleagues to say more about it. The need for the job evaluation exercise for support staff was first identified nearly 10 years ago in 2015-16. Our judgment in the report is that, clearly, progress has been very slow. College Employers Scotland has plans to develop the path and milestones and is working with the trade unions to meet that. That does not feel terribly satisfactory for the people who are caught up in that and waiting for clarity on their roles and responsibilities and what that means with regard to the reward that they receive. I will invite colleagues to provide more detail on the next steps, but we would expect that to be resolved soon.

Tricia Meldrum: We continue to talk to College Employers Scotland to get updates as that work progresses. The latest information is that it is continuing to have that dialogue. The resolution of the pay disputes has helped to move things forward a wee bit so that things are in a better place to plan for the next steps, but we do not yet have a timeline for when that will be resolved. There could be potentially significant cost implications for colleges, because the issue goes back a number of years. That adds to the uncertainty for colleges, because they do not know how much they might have to pay or when.

The Convener: Has the job evaluation exercise itself been completed? Have recommendations been made on job roles and the grades that go with those?

Tricia Meldrum: No, not as far as we are aware.

Stephen Boyle: As Tricia Meldrum said, I am not sure that we are sighted on the day-to-day developments in that process. Evidently, there is a lot of catching up to be done to resolve the situation, but I think that it is for the Scottish Funding Council or Colleges Scotland to give you an up-to-date position.

The Convener: On the point about catching up, do we know that the terms of the job evaluation, which, as you say, has been going on for nearly a decade, includes back pay?

Stephen Boyle: I do not have the detail of the terms and conditions, unfortunately.

The Convener: Tricia Meldrum, do you know the answer to that?

Tricia Meldrum: The expectation is that there will be back pay.

The Convener: Do you know how far back that would go?

Tricia Meldrum: No. I am sorry.

The Convener: Maybe we need to ask that question of other people.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I want to look at the SFC funding model. Paragraph 29 on page 14 of your briefing sets out what action SFC has taken to help to take some of the pressure off colleges. There are four main items, one or two of which we spoke about earlier. However, the briefing says:

> "It is too early to say whether these changes will help colleges to reach a more sustainable financial position."

Do you have a view on the extent to which you consider that the changes will help colleges?

Stephen Boyle: As we set out in the briefing paper and as I mentioned earlier, the SFC is being proactive in discharging its role by leading the engagement with individual colleges but also with regard to the wider sectoral piece of work on how it can play its part to support sustainability. The four bullet points under paragraph 29 provide more specifics about some of the actions that the SFC is taking. I would frame all those points as affording individual colleges more flexibility with regard to learning and the financial implications of the funding that they receive from the SFC.

As you mention, we go on to consider whether, in and of themselves, those changes will be enough to help colleges' wider financial position and the financial position of individual colleges. We do not know that yet. If some of those arrangements do not come in until what will now be the new financial year of 2024-25, we will just need to wait to see whether those are sufficient.

I do not say that because they are not good ideas or because they will not support flexibility. However, will they be enough against the backdrop of a 17 per cent real-terms reduction in the colleges' funding and the growth in their costs, allowing for inflationary pressures and the new pay arrangements that are now in place? Although the changes represent progress, we do not yet know whether they will provide financial sustainability for the sector.

Colin Beattie: An assessment must have been carried out, surely, to ensure that they were the appropriate steps to bring in and that they would have a positive impact down the line. Have you seen such assessments and evaluations? If so, do they seem reasonable? Will the new arrangements deliver?

Stephen Boyle: Some of them will apply in 2024-25. The SFC will have applied methodology and carried out evaluation to forecast the benefits that will accrue from them.

However, as I have said, it is too early to tell whether the changes will be enough to resolve some of the financial difficulties of colleges that have been forecast. Will they mean that colleges no longer have to have a financial plan that requires changes to be made to course provision or to staffing numbers? I am not sure that we are yet in a position to make such an assessment. The SFC, together with individual colleges, will be better placed to say what they anticipate will happen.

I would rather not speculate. For the time being, we are in a wait-and-see position with regard to whether the SFC's new arrangements will be enough. My position is partly informed by recognition of the fact that that is not the only approach that the SFC is taking. In paragraph 37 of the report, we mention the credit flexibilities that are referred to in paragraph 29, but we also talk about the broader use of assets in the sector and some of the wider costing arrangements. The fact that those approaches are being taken alongside the provision of credit flexibilities suggests that, in and of themselves, the credit flexibilities will not be sufficient to address the financial pressures.

Colin Beattie: Given the importance of the changes to the colleges and, potentially, to their funding, did Audit Scotland look at the methodology that the SFC used to arrive at the conclusion that they represented the appropriate way forward?

Stephen Boyle: No, we have not yet done that. Our briefing paper draws on the annual audits of Scotland's colleges. It is open to me to weigh up against my other priorities whether to do a deeper dive into some of the forecast methodologies and the benefits of those. I will make that decision as I develop my work programme next year. It will be informed principally by the SFC's own more detailed assessments. I highlight to the committee that the SFC is now in a rhythm of publishing its own assessment of the challenges and opportunities that Scotland's colleges face. I think that it will publish that early in 2025. I will read that, as I am sure that the committee will, before deciding on my next steps.

Colin Beattie: Are the lowered thresholds likely to impact on the needs of students or local employers?

Stephen Boyle: Perhaps I can bring colleagues in to say a bit more about the specifics of the SFC's approach.

Tricia Meldrum: We do not know what specific impact that change will have, but the fact that the threshold has been reduced means that colleges can potentially deliver less learning without risking clawback. There is a chance that that could reduce the amount of learning that they deliver. However, colleges are looking at their curriculums in the round as part of the on-going process of reform, transformation and so on. We would expect them to consider all those things in the round, rather than randomly reducing some provision.

Colin Beattie: Obviously, any reduction in learning is bound to have an impact on students and local employers—I cannot see how it would not.

Stephen Boyle: That feels like the core conclusion of our report, which is that the Government needs to give clarity to the college sector and individual colleges, through the SFC, to help them to prioritise. There has been progress in affording them more flexibility on course credits, which then has a bearing on their financial position. However, there has perhaps not yet been progress on the wider aspects of how colleges and courses can support individual learners and on the ambition to support economic activity in the area and in the country more widely.

Colin Beattie: I will move on to investment in the college estate. In your briefing paper for the committee, you state that the college infrastructure strategy delivery plan

"supports the development of an Infrastructure Investment Plan",

which apparently was

"due in November 2024 but will now be later."

Do we know how much later?

Stephen Boyle: I do not know that we do, yet. The Government has confirmed that there have been some delays to wider infrastructure plans to reflect the timing of the Scottish budget and what that might mean for the provision of capital funding for the sector. As we mentioned in our briefing, the delivery plan was due to be published next month, but we await confirmation of the new timescale for that.

Colin Beattie: As is the case across the public sector, there is an urgent need to do maintenance and so on, but colleges have been coming up in that respect year after year. Why has the plan been so delayed?

Stephen Boyle: The question of timing is one for the Funding Council. My assumption is that that relates to clarity of information on available resource to support capital investment plans. I do not know if I can say terribly much more than that we know that it is delayed. It is unfortunate that that is the case, given the importance of its being available as quickly as possible. The use of the college estate—their land and buildings—plays not only a vital part in their provision of service, but an important potential role in supporting their financial position.

I will highlight to the committee one of the case study examples in our briefing. Glasgow Kelvin College has taken decisions on its land and buildings to support its financial position. For example, it plans to dispose of one of its campuses in the west of Glasgow to support its service provision.

There is discussion in the sector currently on what should happen to capital receipts if colleges decide to dispose of assets. The position is not straightforward. One might assume that if a college sells an asset it would retain the proceeds. However, typically, in a central Government context, the money would return to the Scottish Government. As we refer to in paragraph 37 of our briefing, those discussions are on-going, but we wonder whether there could be an alternative mechanism for asset disposal whereby sharing the proceeds could support transformation and sustainability.

That all illustrates Mr Beattie's point that we need to have the infrastructure plan as soon as possible to support the planning decisions.

Colin Beattie: I suppose that tucking away the money in an ALF is not an option.

Stephen Boyle: I would need to check that, but not as far as I know. I think that disposal proceeds are returned to the Scottish Government for wider consideration. Clearly, it is important to consider whether they could be used more directly in the body that has disposed of the asset. However, that would involve policy decisions for the Funding Council and the Government.

The Convener: On your last point, does the system have a behavioural impact? Presumably, the board of Glasgow Kelvin College has made a decision to dispose of that asset in the west end of Glasgow, which is a high-value location. However, if it does not necessarily benefit at all from the proceeds of that sale, where is the incentive for it to consider such measures? Obviously, that situation could be replicated for other college boards across the country.

10:15

Stephen Boyle: That is a really important point about the motivation and the incentives around asset management, and the level of sophistication that colleges would want to deploy and that they were used to deploying before they formally became public bodies.

We welcome the fact that the Funding Council is working with colleges to ask—allowing for the times that we live in—whether it can do something to incentivise and support better use of the college estate not just through financial provision but through support for learner experience and the wider economic implications. There is definitely something there to be looked at.

The Convener: We have some final questions, which the deputy convener will put to you.

Jamie Greene: I will try to mop up a few different areas, so bear with me. I want to look ahead, off the back of the work that you have done to date.

I have one specific question, which I am not sure that you will have the answer to. You might be aware of a letter that was written yesterday to the Chancellor of the Exchequer by the Association of Colleges, which is an organisation south of the border that might or might not include Scottish colleges. The letter called on the chancellor to introduce an exemption from VAT for the college sector. Obviously, that is a reserved matter, but it is not alluded to in the work that you have done. My understanding is that around 3 per cent of college cash expenditure is paid in VAT. Obviously, that is a high-profile subject, given the changes to VAT in the independent school sector.

Is that something that you might look at? Would such an exemption be positive for colleges' cash flow?

Stephen Boyle: There are a couple of things to say about that. It is a reserved matter and a policy matter, so, on both counts, I am precluded from expressing a view on the merits of the proposal.

However, that does not prevent me from saying that there will be need for innovation in some of the approaches and thinking that the sector and individual colleges deploy to manage their revenue and cost base. That is probably the limit to which I can go on that point.

Jamie Greene: I understand—anyway, it is now a matter of record.

That leads on to the wider discussion about what colleges do next. Their situation is clearly not sustainable. You talked about the colleges as going concerns. They will not be going anywhere, but they will be very concerned when they suddenly find that they are running out of cash. As has been said, cuts can be taken only so far, so wider reform has to be part and parcel of the conversation.

The college sector is not immune to reform—it has been reformed previously. You talked about the move to being public bodies and changes to structure, and we have talked a little today about changes to the financial models. There has been amalgamation over the years, and there has been a reduction as well as an increase in the number of colleges, so that sort of stuff happens.

I appreciate that some of it is about policy, but it strikes me that there has been a conversation about reform for some considerable time. For example, the 2023 Withers review of the skills development landscape made a large number of specific recommendations that do not seem to be going anywhere. You expressed those concerns in your report. Will you elaborate on why you think that the Government is not moving at pace with some of the reform?

Stephen Boyle: We would observe that the pace has not moved quickly enough to give clarity to the sector about where it is positioned in the provision of teaching, learning and economic development.

Some of that stuff is complicated. A lot of organisations and interested groups are involved, which means that there needs to be an appropriate level of consideration and consultation. I am not sure that the balance is right on that, because it is taking too long to give clarity. All the while, colleges are having to make decisions in the here and now to deliver financial balance and to meet their obligations. As long as that goes on, there is a risk that necessary decisions for today, in order to deliver financial balance, will become suboptimal decisions in the medium term. There is always the risk that, just to deliver balance, a course choice is made and a key member of staff leaves. It would take a long time for a college to recover from that, and it might not do so.

Why it is taking too long, or as long as it has, is more a question for the Funding Council and the Government, but I hope that it does not detract from where we have got to. The sector urgently needs that clarity.

Jamie Greene: That message is loud and clear, and it has been widely reported as such off the back of your briefing. However, there is a false economy to trying to make ends meet on an annual basis simply to make your accounts fit for purpose. Redundancies come at a cost. We have talked about the educational, social and even moral impact of making redundancies, but there is also a financial cost. You are hoping that it will save money down the line, but it costs money up front to pay people off. It seems like a short-term fix to a longer-term problem. Is that a correct assertion?

Stephen Boyle: Yes. As I mentioned in my opening remarks, £12 million was spent in the financial year in question to pay for voluntary severance arrangements. That £12 million could have been used for learner experience or to fund other costs in an already challenged cost base. I do not want to say that colleges are being reactive—they are not. Some quite sophisticated financial planning is going on in colleges to manage a difficult position, but it is another cost challenge for them. It all points to the fact that it is very difficult for colleges to continue to make cuts to deliver a bottom line, notwithstanding the implications that that has into the medium and long term.

Jamie Greene: I have been listening carefully to your responses to the many questions that you have been asked today, and I have written down some of the phrases that you have used. The words that keep coming up are "slow" to progress, "limited progress" and "lack of progress". Progress is a good thing, but a lack of, limited and slow progress are not. Is there a reason why you use those phrases so often in your analysis of the Scottish college sector?

Stephen Boyle: It is based on the evidence that we have seen over the past few years and that is in the briefing that we are looking at today. These are not terribly new issues. It is not as if the financial challenges that Scotland's colleges face were first reported in today's briefing. We have said them for a number of years, as have others, particularly the Funding Council. That is a healthy place for the Funding Council to be, because I would say that, as a Government body, it is making an objective assessment of the challenges that Scotland's college sector face. However, there is enough evidence to say that the issues have been around for too long and urgently need to be tackled.

Jamie Greene: Absolutely. In your briefing, you allude to the wider role of colleges in relation to strategic planning. There is a bit of talk about a new national skills approach, which we will see in March next year, which might be a bit too late for some of the colleges that have been mentioned by others. There is also reference to simplification of the funding landscape, regional skills planning and all the typical buzzwords that you would expect from working groups and reports of this nature.

The root of the issue is the wider role of colleges in education and in economic development. I was struck by some of the briefings that we got ahead of today. We are told that 33 per cent of all college learning is in the care-related sector, which includes childcare, social care and healthcare, and that 24 per cent is in science, technology, engineering and mathematics subjects. Both those areas are endlessly crying out for more people. We hear daily that there are shortages of people in STEM subjects and in the care sector, and colleges are perfectly placed to deliver some of those skills and resources, but those institutions are facing cuts. It strikes me that there is a slight imbalance to having an economic strategy that aims to fill those gaps in the economy, while pulling the plug on the funding for the very institutions that can deliver that.

Stephen Boyle: The illustrations that you use are consistent with the message that has come from the sector and from its representative organisations. They identify a need for clarity, and they probe the consistency of approaches in relation to the funding arrangements, the role of colleges and how well-placed they consider those entities to be to support service gaps for vital parts of Scotland's economy and, equally, as you mention, care provision. That clarity is at the root of what colleges are looking for, given the role that they provide. I very much recognise your point.

Jamie Greene: Is there any particular reason why the average spend on college students is substantially lower than that, say, on secondary pupils or university students? The figure is around £5,000 per student in colleges, but £7,500 in universities, even though colleges deliver 26 per cent of higher education learning. There is a real disparity in investment in college learning.

Stephen Boyle: I am sure that there is analysis that gets into that detail. Unfortunately, I do not have that to hand today, but I am familiar with that statistic about the difference in spend. Some of the rationale for it might be to do with the cost base of the different institutions, but that is not something that we have looked at for today's briefing.

Jamie Greene: Finally, in my research for today's evidence session, I came across an article in *The Herald* from the principal of Edinburgh College, Audrey Cumberford. I am not sure whether you have read the editorial, but it is an interesting and eye-opening piece that touches the issues that we have been discussing of the role of colleges and the funding situation that you refer to in your briefing. I hope that she will not mind my quoting the article, which says:

> "The potential of the Scottish college sector is often misunderstood, undervalued and, as a result ... suffers from underinvestment. ... it's vital that"

we understand

> "colleges for what they are: a cornerstone in the country's future prosperity."

I think that that nicely sums up our conversation this morning. I presume that you agree with everything that Audrey Cumberford has said.

Stephen Boyle: All I would add is that there was a very consistent message in an editorial from the now former head of Colleges Scotland, Shona Struthers, who made a similar point about reinforcing the role of our organisations and colleges.

There are also parallels with our own reporting on the financial challenges that the sector is facing. At the risk of repeating myself, there is a need for the clarity that feels overdue from the Government about how it will discharge its responsibilities in the years to come.

Jamie Greene: Shona Struthers actually used the word "dire" in her editorial, which I think perhaps sums up the situation better.

The Convener: I was going to draw this morning's evidence session to a close, but I see that Tricia Meldrum wants to come back in.

Tricia Meldrum: I am sorry, but can I correct my evidence to Mr Simpson?

The Convener: Certainly.

Tricia Meldrum: When we talked about compulsory redundancies, he asked which college was involved. I should apologise—it was the City of Glasgow College. I think that I mentioned another college.

The Convener: Yes, I think that you said that it was Glasgow Clyde College, but it is City of

Glasgow College. That is fine—I appreciate your correcting the record.

I thank Shelagh Stewart, Tricia Meldrum, Mark MacPherson and the Auditor General for their time and their evidence this morning. I just want to conclude by saying how valuable we find this annual briefing, because it gives us a snapshot of the state of Scotland's colleges in a short, sharp and informative format. Speaking on behalf of the committee, I say that we welcome this as an annual event, because it shows how things are and where things have or have not moved on. We as a committee find it a valuable resource in looking at the state and health of Scotland's colleges.

Stephen Boyle: We are very grateful for that feedback, convener. We have used this model for the past few years now; previously, we did overview reports and I think that we took a year's break from the sector. We are going to give a bit of thought to where we go next to ensure that consistency is not lost and will look not just at how we discharge our assurance role but at where we might play a part in helping to move on some of the issues where things feel quite stuck. Thank you—we will take your comments away with us.

The Convener: Thank you very much indeed. We now move into private session.

10:29

Meeting continued in private until 11:31.

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